

*Mayor and Council of the City of Rockville, Maryland has prepared this document as a Preliminary Official Statement and has approved the furnishing of copies to prospective bidders for the bonds described herein. This Preliminary Official Statement and the information contained herein are subject to revision, amendment and completion by the City. These bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.*

**NEW ISSUE: FULL BOOK ENTRY ONLY**

(Electronic and Sealed Bids Accepted)

**Ratings\*: Applied For (Moody's)  
Applied For (S & P)  
(See "Ratings" herein)**

**This official statement can be found on the World Wide Web at: [www.pfm.com](http://www.pfm.com)**

**\$ 13,150,000\***  
**General Obligation Bonds of 2008**  
**(the "Bonds")**

**Mayor and Council of Rockville, Maryland**



**Bids Received Until:** 11:00 A.M. Eastern Time on Monday, September 8, 2008  
Office of Public Financial Management  
45 South Seventh Street, Suite 2800  
Minneapolis, Minnesota 55402

**Bids Considered:** Monday, September 8, 2008

\* Preliminary, subject to change.

The date of this Official Statement is August 28, 2008.

This official statement can be found on the World Wide Web at: [www.pfm.com](http://www.pfm.com)

*In the opinion of Bond Counsel, assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the City on the date of delivery of the Bonds, and subject to the conditions stated herein under "Tax Matters," under existing law, (a) the interest on the Bonds is excludable from gross income for Federal income tax purposes, and (b) the interest on the Bonds is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. As described herein under "Tax Matters," other Federal income tax consequences may arise from ownership of the Bonds. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes, or any other taxes not levied directly on the Bonds or the interest thereon. See "Tax Matters" herein."*

**\$ 13,150,000<sup>(1)</sup>**

## GENERAL OBLIGATION BONDS OF 2008 MAYOR AND COUNCIL, CITY OF ROCKVILLE, MARYLAND

**Dated:** September 25, 2008**Principal Due:** June 1, 2009/2028**Minimum Bid:** \$13,150,000 (Par)**Good Faith Deposit:** \$131,500**Maximum Bid:** \$13,807,500 (105% of Par)

The \$13,150,000<sup>(1)</sup> General Obligation Bonds of 2008 (the "Bonds") of the City of Rockville, Maryland (the "City" or "Issuer") are issued pursuant to the authority of Article 23A of the Annotated Code of Maryland (2005 Replacement Volume and 2007 Supplement), as amended, and Article VII, Section 11 of the Charter of the City of Rockville, as amended, and in accordance with ordinances enacted by the City on July 28, 2008 authorizing the issuance of the Bonds (the "Ordinance") to finance (i) all or a portion of the costs of or related to (A) Water Meter Replacements, (B) Water Main Rehabilitation Program, and (C) Water Plant System Upgrades and (ii) pay the costs of issuing the Bonds. The Bonds are general obligations of the City, backed by its full faith, credit and unlimited taxing powers.

The Bonds will be issued as fully registered bonds without coupons and, when issued will be in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of the Bonds, payable annually on each June 1 and interest on the Bonds, payable on each June 1 and December 1 commencing June 1, 2009, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. The Bonds will mature on June 1 in the years and amounts as follows:

**MATURITY SCHEDULE**

<u>Year</u>	<u>Amount<sup>(1)</sup></u>	<u>Rate*</u>	<u>Yield*</u>	<u>Year</u>	<u>Amount<sup>(1)</sup></u>	<u>Rate*</u>	<u>Yield*</u>
2009	\$ 825,000	_____%	_____%	2019	\$ 485,000	_____%	_____%
2010	835,000	_____%	_____%	2020	485,000	_____%	_____%
2011	835,000	_____%	_____%	2021	485,000	_____%	_____%
2012	835,000	_____%	_____%	2022	485,000	_____%	_____%
2013	835,000	_____%	_____%	2023	480,000	_____%	_____%
2014	835,000	_____%	_____%	2024	480,000	_____%	_____%
2015	830,000	_____%	_____%	2025	480,000	_____%	_____%
2016	835,000	_____%	_____%	2026	480,000	_____%	_____%
2017	835,000	_____%	_____%	2027	480,000	_____%	_____%
2018	835,000	_____%	_____%	2028	475,000	_____%	_____%

The Bonds maturing in the years June 1, 2019 and thereafter are subject to prior redemption on June 1, 2018 at a price of par plus accrued interest to the date of redemption.

**NOT BANK QUALIFIED:**The Bonds are not "Qualified Tax-Exempt Obligations."**LEGAL OPINION:**

Venable LLP, Baltimore, Maryland

**BIDS RECEIVED UNTIL:**

11:00 A.M. Eastern Time on Monday, September 8, 2008  
Office of Public Financial Management  
45 South Seventh Street, Suite 2800  
Minneapolis, Minnesota 55402

**BIDS CONSIDERED:**

Monday, September 8, 2008

The date of this Official Statement is August 28, 2008.

\* Interest rates, reoffering yields or prices and ratings will be set forth in the Final Official Statement described herein.

<sup>(1)</sup> The City reserves the right to adjust the total issue size by no more than \$500,000 per maturity. The maximum issue size will not exceed \$13,500,000.

(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)

*No dealer, broker, salesman or other person has been authorized by the City or the Financial Advisor to give any information or to make any representations, other than those contained in this Official Statement or the Final Official Statement and, if given or made, such other information and representations must not be relied upon as having been authorized by the City or the Financial Advisor. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but it is not to be construed as a representation by the Financial Advisor. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement or the Final Official Statement nor any sale made thereafter shall, under any circumstances create any implication that there has been no change in the affairs of the City or in any other information contained herein, since the date thereof.*

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*(This page has been left blank intentionally.)*

## **INTRODUCTION TO THE OFFICIAL STATEMENT**

*The following information is furnished solely to provide limited introductory information regarding the \$13,150,000\* General Obligation Bonds of 2008 (the "Bonds") of the City of Rockville, Maryland (the "City" or "Issuer") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.*

<b>Issuer:</b>	City of Rockville, Maryland.						
<b>Purpose:</b>	The proceeds of the Bonds will be used to finance (i) all or a portion of the costs of or related to (A) Water Meter Replacements, (B) Water Main Rehabilitation Program, and (C) Water Plant System Upgrades and (ii) pay the costs of issuing the Bonds.						
<b>Security:</b>	The Bonds are general obligations of the City, and taxable property in the territory of the City is subject to ad valorem taxes without limitation as to rate or amount to pay the Bonds.						
<b>Authority for Issuance:</b>	The Bonds are issued pursuant to ordinances of the City and pursuant to and in full compliance with the Constitution and laws of the State of Maryland.						
<b>Principal Payments:</b>	Payable on June 1 of the years 2009 through 2028.						
<b>Interest Payments:</b>	Payable on June 1 and December 1, commencing June 1, 2009.						
<b>Optional Redemption:</b>	The Bonds maturing in the years June 1, 2019 and thereafter are subject to prior redemption on June 1, 2018 at a price of par plus accrued interest to the date of redemption.						
<b>Tax Status:</b>	Generally exempt from federal and Maryland state income taxes (see "Tax Matters" herein).						
<b>Book-Entry System:</b>	The Bonds will be issued as book-entry only securities through The Depository Trust Company.						
<b>Professional Consultants:</b>	<table><tr><td><i>Financial Advisor:</i></td><td>Public Financial Management, Inc. Minneapolis, Minnesota</td></tr><tr><td><i>Bond Counsel:</i></td><td>Venable LLP Baltimore, Maryland</td></tr><tr><td><i>Registrar/Paying Agent:</i></td><td>Director of Finance City of Rockville, Maryland</td></tr></table>	<i>Financial Advisor:</i>	Public Financial Management, Inc. Minneapolis, Minnesota	<i>Bond Counsel:</i>	Venable LLP Baltimore, Maryland	<i>Registrar/Paying Agent:</i>	Director of Finance City of Rockville, Maryland
<i>Financial Advisor:</i>	Public Financial Management, Inc. Minneapolis, Minnesota						
<i>Bond Counsel:</i>	Venable LLP Baltimore, Maryland						
<i>Registrar/Paying Agent:</i>	Director of Finance City of Rockville, Maryland						

*The Official Statement is in a form deemed final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the "Rule"), but is subject to minor revision or amendment in accordance with the Rule. Not later than seven business days following the award of the Bonds, the City shall provide copies of the Final Official Statement, as that term is used in the Rule, to the purchasers of the Bonds. The Final Official Statement will be the Official Statement dated August 28, 2008 and the addendum, which includes the maturity dates and amounts, interest rates and reoffering yields or prices, credit ratings, and any other information required by law. Any such addendum shall, on or after the date thereof, be fully incorporated in the Final Official Statement by reference.*

*The purchaser of the Bonds will be supplied with Final Official Statements in a quantity sufficient to meet its request. Up to 50 copies of the Final Official Statement will be furnished without cost.*

Questions regarding the Bonds or the Official Statement can be directed to and additional copies of the Official Statement, the City's audited financial reports and the Ordinance may be obtained from Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402 (612/338-3535 612/338-7264 FAX), the City's Financial Advisor, or inquiries may be directed to Mr. Gavin Cohen, Director of Finance, City of Rockville, 111 Maryland Avenue, Rockville, Maryland 20850, or by telephoning (240) 314-8402.

\* Preliminary, subject to change.

## **DESCRIPTION OF THE BONDS**

### ***Authorization***

The Bonds are issued under and in full compliance with the Constitution and laws of the State of Maryland, including Article 23A of the Annotated Code of Maryland, as amended, and Article VII, Section 11 of the Charter of the City of Rockville, as amended, and in accordance with ordinances enacted by the City on July 28, 2008 authorizing the issuance of the Bonds.

### ***Purpose***

The Bonds are issued to provide funds to finance (i) all or a portion of the costs of or related to (A) Water Meter Replacements, (B) Water Main Rehabilitation Program, and (C) Water Plant System Upgrades and (ii) pay the costs of issuing the Bonds. Those projects and the estimated costs are listed in Table 1 below.

**Table 1**  
**Estimated Sources and Uses of Funds**

**Sources:**

Par Amount of Bonds	\$ 13,150,000 <sup>(1)</sup>
Premium	
Total Sources of Funds	

**Uses:**

Water Meter Replacements
Water Main Rehabilitation Program
Water Plant System Upgrades
Costs of Issuance/ Underwriter's Discount
Total Uses of Funds

<sup>(1)</sup> Preliminary, subject to change.

### ***Optional Redemption***

At the option of the City, Bonds or portions thereof maturing on June 1, 2019, and thereafter may be called for redemption and payment prior to the stated maturity thereof on June 1, 2018, and at any time thereafter in whole or in part in such amounts for such stated maturities as shall be determined by the City at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to the redemption date. The Bonds may be called in part in one or more units of \$5,000. If less than the entire principal amount of any Bonds in a denomination of more than \$5,000 is to be redeemed, the Bond Registrar will issue and deliver to the registered owner thereof, upon surrender of such original Bond, a new Bond or Bonds, in any authorized denomination, in a total aggregate principal amount equal to the unredeemed balance of the original Bond. Notice of such redemption as aforesaid identifying the Bond or Bonds (or portion thereof) to be redeemed shall be mailed first class to the registered owners thereof at the addresses shown on the City's registration books not less than 30 days prior to such redemption date. All Bonds for which the City exercises the right of redemption and for which proper notice has been given and adequate funds provided, shall cease to bear interest on the redemption date.

## ***Interest Computation***

Interest on the Bonds will be payable on June 1 and December 1 of each year commencing June 1, 2009. It will be computed on a 360-day year, 30-day month basis and paid to the owners of record as of the close of business on the fifteenth day of the immediately preceding month. Payments coming due on a non-business day will be paid the following business day.

## ***Security***

The Bonds and interest thereon will constitute general obligations of the City payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

## ***Book-Entry Only System***

*The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.*

The Depository Trust Company (“DTC”), New York, NY will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity specified on the cover page hereof in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers ownership

interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discounted.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. if less than all of the Bonds within an issue are being redeemed. (DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.)

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holding shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or Paying Agent, disbursement of such payments to Direct Participants will be responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS OF A SERIES; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF BONDS; OR (VI) ANY OTHER MATTER.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

### ***Continuing Disclosure***

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City will adopt, for the benefit of the registered holders or beneficial owners of the Bonds, an undertaking to provide annual reports of specified information and notice of the occurrence of certain events, if material. The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the undertaking, including termination, amendment and remedies, are set forth in Appendix D to this Official Statement.

Breach of the undertaking will not constitute a default or an event of default under the Bonds or under the ordinances adopted by the City authorizing any series of the Bonds. The City is in full compliance with all of its prior 15c2-12 obligations.

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## **THE CITY OF ROCKVILLE**

### ***General Information***

The following information is provided for the purpose of presenting certain information relating to the City of Rockville (the “City”), Maryland (the “State”). Except as otherwise stated, the information is provided as of June 30, 2008.

Rockville, the County seat of Montgomery County, occupies 13.50 square miles within the Metropolitan Washington Area and is located 12 miles northwest of Washington, D.C. The City lies within four miles of I-495, the Capital Beltway, and is traversed by I-270. The topography is rolling with small hills. Average altitude of the area is 400 feet above sea level.

Rockville was first settled in the late 1700s, chosen as the County seat in 1776, and officially designated as Rockville by the Maryland General Assembly in 1801. The name was derived from Rock Creek, which runs past the eastern boundary of the city. Rockville was incorporated in 1860. The Confederate Monument in Rockville commemorates the days when General Jubal Early's forces passed through Rockville to and from an attack on Washington D.C.

Rockville is both a residential community and an employment and economic center. Rockville experienced its greatest growth after World War II. The population grew from 2,047 to 6,934 between 1940 and 1950 and to 26,090 by 1960. During the 1960s Rockville shared in the rapid population growth experienced in the entire Washington, D.C. Metropolitan Statistical Area (MSA). In 1970 Rockville's population was 42,739, an increase of 64 percent over 1960. Population growth moderated during the 1970s. According to the 2000 figures from the U.S. Bureau of the Census, the City's population was 47,388. The City of Rockville Planning Department estimates the 2008 population of the City is 63,170.

Rockville has been designated an “All-America City” four times.

### ***Government and Organization of the City***

The City of Rockville derives its governing authority from a charter granted by the General Assembly of Maryland. The City has operated under the Council-Manager form of government since 1948. The governing body of the City is the Mayor and Council, which formulates policies for the administration of the City. The Mayor and Council are comprised of the Mayor and four council members each elected at large for two year concurrent terms. Mayor and Council members and their terms of office are:

#### **Mayor and Council Members**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Susan Hoffman	Mayor	2009
John B. Britton	Council Member	2009
Piotr Gajewski	Council Member	2009
Phyllis Marcuccio	Council Member	2009
Anne M. Robbins	Council Member	2009

The City Manager is appointed by the Mayor and Council to serve as the City's Chief Executive Officer. He is responsible to the Mayor and Council for the proper administration of all affairs of the City. To this end, he has appointive and removal authority over department heads and all other employees, except the City Clerk and the City Attorney, is responsible for the preparation and administration of the annual budget, for keeping the Mayor and Council apprised of the financial condition and future needs of the City by way of an annual report to the Mayor and Council, recommending and enforcing all policies and procedures laws and ordinances as established by the Mayor and Council, consolidating or reorganizing positions, departments or divisions as needed, purchasing all materials, supplies and equipment pursuant to purchasing regulations, and investigating any and all complaints and affairs

concerning the administration of the government and the utilities service provided. Financial operations of the City are performed by the Finance Department under the supervision of the Director of Finance, who reports directly to the City Manager.

### **Mayor and Council Members**

**Susan R. Hoffmann** was elected Mayor of Rockville in November 2007. This is Hoffman's first term serving as Mayor, and fourth term serving on the Mayor and Council. She was first elected as a Rockville Councilmember in November 2001. Since August 1995, Ms. Hoffmann has been the manager of marketing and communications in the Silver Spring Regional Services Center, the local source of government services for the Silver Spring/Takoma Park Region. The Center includes the Silver Spring Redevelopment Office, established to implement and monitor the redevelopment and revitalization of downtown Silver Spring as a "town center." She collaborates daily with the development team, governmental agencies, and other key private sector players such as the American Film Institute and Discovery Communications, Inc. In December 1986, Ms. Hoffmann joined Montgomery County as a legislative analyst in its Office of Intergovernmental Relations. She represented the County's interests before the Maryland General Assembly, the Governor and the state agencies' staff. Beyond her day-to-day responsibilities, she was appointed by the county executive to serve on the Montgomery County Task Force to study the Municipal Tax Duplication Reimbursement Program, and produced, wrote and hosted "Eye on Annapolis," a weekly cable television program on the Maryland General Assembly. Ms. Hoffmann's past experience includes tenures as a Congressional Aide to two members of the U.S. House of Representatives; a public affairs assistant to the 1980 White House Conference on Families; and a feature writer with Bucks County Courier/Doylestown Intelligencer (a suburban Philadelphia daily). Ms. Hoffmann holds a Bachelor of Science degree in Communications from Temple University and has done post-graduate work in Basic Economic Development through the University of Maryland's University College.

**John Britton** was elected to serve his first term as a Rockville Councilmember in November 2007. He attended Rider College (now Rider University) in Lawrenceville, N.J., where he earned a Bachelor of Arts degree in Political Science and International Studies. In 1977, he enrolled in the George Washington University School of Public and International Affairs, earning a Master of Arts degree in International and Russian Studies. Shortly after earning his Masters degree, John worked for the Close Up Foundation, a civic education program for high school students, as a program instructor and student counselor. (He currently represents the Foundation in all legal matters as its General Counsel). In 1986 he enrolled in the law program at the National Law Center, George Washington University, where he received his Juris Doctor, with honors, in 1989. John is a practicing attorney with a focus on environmental and land use issues. He represents public interest organizations, community groups and municipalities, such as Environment Maryland and the City of Alexandria, Virginia. He also is the managing partner of the Washington, D.C. office of Schnader Harrison Segal & Lewis LLP. His past experience includes his tenures on the Rockville Cultural Art Commission and the Planning Commission where he served as a commissioner and a chairman. Mr. Britton brings his environmental experience to Rockville by working toward increasing environmentally sustainable, i.e., "green" development.

**Piotr Gajewski** was elected to serve his first term as a Rockville Councilmember in November 2007. In his professional life, Piotr is Music Director and Conductor of the National Philharmonic, in residence at the Music Center in Strathmore. Praised by the Washington Post as an "immensely talented insightful conductor," whose "standards, taste and sensitivity are impeccable," Maestro Gajewski is also much in demand nationally and internationally as a guest conductor. In recent years, he has appeared with most of the major orchestras in his native Poland, as well as the Royal Liverpool Philharmonic in England, the Karlovy Vary Symphony in the Czech Republic, the Okanagan Symphony in Canada, and numerous orchestras in the United States. Gajewski is a winner of many prizes and awards, among them a prize at New York's prestigious Leopold Stokowski Conducting Competition, Montgomery County's Comcast Excellence in the Arts and Humanities Achievement Award, and a Leonard Bernstein Fellowship at the Tanglewood Festival in Massachusetts where Gajewski studied with Bernstein as well as other prominent conductors, including Siji Ozawa and Andre Previn. Mr. Gajewski holds a Bachelor of Music and Masters of Music degrees from the University of Cincinnati, College-Conservatory of Music and a JD degree from Catholic University of America, Columbus School of Law.

**Phyllis Marcuccio** was elected to her second term on the Rockville City Council in November 2007. Phyllis has always been available to her neighborhood and community. She has been the science curriculum consultant to several local area school systems, including Montgomery County. She helped to found the Rockville Consortium for Science and remains active in Rockville's Annual Science Day. Phyllis served on the Rockville Housing Authority for 10 years and was part of the Croydon Park Advisory Board and Review Committee. As president of the East Rockville Civic Association, she was instrumental in having an East Rockville Park. That mission led to creation of Mary Trumbo Park. She also helped spearhead the establishment of a neighborhood plan to ensure that East Rockville was considered in Town Center master planning. For 38 years, Phyllis worked for the National Science Teachers Association (NSTA), establishing herself as a national leader and innovator in childhood education. Among educators, she was probably best known for being one of the founders and editor of Science and Children magazine. She has written, edited and published journals, books and articles used by teachers at every level from kindergarten through college. She also was project director and/or judge for numerous grants (totaling more than \$30 million) and awards. Her periodicals have been widely recognized (e.g., Eleanor Fishburn and Educational Press Awards). Phyllis was known as a teacher of teachers, a presenter at science teacher conferences and a mentor for more than 50 NSTA staff. She was on the boards of several associations including the National Academy of Sciences Smithsonian Institution; the Pocono Environmental Education Center; and the Rockville area's own Hands-On-Science Outreach, Inc. She has lived in Rockville for more than 50 years and her life has been filled with community-minded activities and service.

**Anne M. Robbins** was elected to her fifth term on the City Council in November 2007. Prior to being elected to the City Council, Ms. Robbins did library consultation work for the Montgomery County Council. Her other work experience includes teaching government experience at the Federal level (U.S. Department of Housing and Urban Development) and local level (Montgomery County Government). Ms. Robbins' public service volunteer work has included participating as an advisor on First Lady Rosalyn Carter's Mental Health Commission, directing her high school PTSA's "Organized to Resist Drugs Initiative," and serving on the Board of Directors of the Rockville Community Ministries, the F. Scott Fitzgerald Commemorative Committee, and the Twinbrook Library Advisory Committee. Ms. Robbins received her bachelor's degree in Education from Penn State University and Master of Public Administration degree from the Maxwell School of Citizenship and Public Affairs at Syracuse University.

### *City Staff*

**Scott Ullery** started as City Manager of the City of Rockville on November 29, 2004. He has 29 years of government experience. He served as Deputy County Administrator in Santa Barbara County from 1997 to 2004. His responsibilities in Santa Barbara County focused primarily on strategic planning, capital improvement planning, information technology, annexations, project management and economic development. Prior to his work in Santa Barbara, Mr. Ullery spent 18 years with the City of Tucson. He was the Assistant City Manager of Tucson from 1994 to 1997 and was the assistant to the city manager from 1992 to 1994. He held several responsible positions prior to that in the Department of Budget and Research. Mr. Ullery received his Bachelor of Arts from the University of Arizona.

**Gavin Cohen** joined the City of Rockville as Director of Finance in May 2005. He previously served as the Finance Director for the City of Solana Beach in San Diego County, California from 1999 through 2005 and the Assistant Finance Director for the City of Glendora in Los Angeles County California from 1996 through 1999. Prior to this he was a controller and auditor in private industry. Mr. Cohen has a Bachelor of Commerce degree from the University of Cape Town. He is a Certified Public Accountant and Certified Public Finance Officer. Mr. Cohen is a member of several professional organizations including American Institute of Certified Public Accountants, Association of Public Treasuries of the United States and Canada, Institute of Certified Management Accountants and the national and local Government Finance Officers Associations.

**Paul T. Glasgow**, City Attorney, holds a Bachelor of Arts degree from the University of Maryland and a law degree from George Washington University. He is past treasurer and past president of the Maryland Municipal Attorney's Association, has served on the Governor's Task Force to study local government antitrust liability, and was a member of the State Trial Courts Judicial Nominating Commission. He is a member of the American, Maryland, and Montgomery County Bar Associations. Mr. Glasgow is a partner in Venable LLP, which is serving as bond counsel in connection with the sale and issuance of the Bonds.

**Burton R. Hall** has served as Director of Recreation and Parks since April 1992. His career with the City of Rockville began in 1974 at the Municipal Swim Center where he was the Aquatics Supervisor and Swim Center Director. He was appointed Superintendent of Recreation in 1983. Mr. Hall holds a Bachelor of Science degree from Amherst College and is a Certified Leisure Professional. He is a member of, and has served in various volunteer capacities with, the Maryland Recreation and Parks Association and the National Recreation and Parks Association.

**Craig Simoneau** has served as the Director of Public Works for the City of Rockville since September 2005. Prior to coming to Rockville, he served as Director of Public Works and Logistics at Fort Monroe, VA. Mr. Simoneau was in the U.S. Army for 20 years. During his years in the U.S. Army, he held management positions for construction project design, facility operations and project design. Mr. Simoneau is a Licensed Professional Engineer. He is a West Point graduate, and has a Master of Science degree in Civil Engineering from Massachusetts Institute of Technology.

**Susan Swift** has served as the Director of Community Planning and Development Services (CPDS) for the City of Rockville since April 2008. CPDS includes Planning, Long-Range Planning, Inspection Services, the Moderately Priced Dwelling Unit Program, the Community Development Block Grant program and Town Center Redevelopment. Prior to coming to Rockville, she served as the Director of Planning, Zoning and Development for the Town of Leesburg, Va. for five years. She has over 30 years experience with urban planning and zoning, community development and management in both public and private sectors. Ms. Swift holds a Bachelor of Arts degree in Geography from the University of Florida and a Masters in Urban and Regional Planning, from Florida State University. In addition, she is certified by the American Institute of Certified Planners.

### ***City Government Services***

The City of Rockville provides a full range of services for the community including: zoning and planning; water, sewer, and refuse collection services; one-stop location for licenses, permits, and inspections; snow removal, leaf collection, street maintenance, and other public works functions; recreation and parks services; and special programs for senior citizens, youth and low-income residents.

#### **City Manager's Office**

The Department of the City Manager coordinates with the Mayor and Council to enact and implement City policy and to manage the policy agenda by providing management and administrative support for the day-to-day operations of the City government. Neighborhood Resources Program, Graphics and Printing, the Public Information Office, City Website, Citizen Satisfaction Survey, Citizen Service Requests, Customer Service, the Intergovernmental Program, and the Performance Measurement Program are part of the City Manager's Office.

#### **Community Planning and Development Services**

The Department of Community Planning and Development Services promotes and facilitates the orderly development and redevelopment of the city to benefit both residential and business activity. The department prepares plans and develops programs that provide policy guidance and support to the Mayor and Council, Planning Commission Boards and Commissions, and the City senior management staff to make public decisions with respect to the provision of adequate public facilities and services, the use of land, and the administration of laws affecting development policies. The Department contains six divisions: Executive, Management and Support, Planning, Inspection Services, Long Range Planning and Redevelopment, and CPDS Studies and Plans.

In addition the Department serves as liaison to Rockville Economic Development Inc. (REDI). REDI was established by the City as a public-private partnership to deliver the City's economic development services. REDI's mission is to strengthen and broaden the economic base of Rockville. REDI's four major goal areas recently adopted by the Mayor and Council as part of its 2007-2008 Strategic Work Plan are (1) Build Rockville's economy for the future (2) Attract new businesses to Rockville (3) Retain and support Rockville's existing business base (4) Support the revitalization of Rockville Town Center.

## **Finance**

The Department of Finance helps the various agencies of the City government meet their service objectives by acquiring goods and services, allocating the organization's available financial resources, processing financial transactions and providing information and analysis as a basis for decision making. The department bills and/or collects the major City revenues and provides assistance to taxpayers and utility customers. The department also provides financial planning services for the City, secures financing for capital construction, and safeguards and invests City funds.

## **Fire Department**

Fire protection is provided by the Rockville Volunteer Fire Department, which is staffed by 144 paid professional and 259 volunteer fire fighters. The Rockville District includes four fire stations, two of which are located in the city limits. All four, however, respond to calls within Rockville.

There are 34 fire and rescue stations, and 12 worksites in Montgomery County, all of which participate in overall planning, fire prevention programs, operation of a centralized dispatch service, and training provided by the Montgomery County Fire and Rescue Services.

The Rockville Volunteer Fire Department is funded by a special County consolidated fire district tax of \$0.111 per \$100 of real property assessed value.

## **Human Resources**

The City of Rockville Human Resources Department recruits, retains, and services qualified and capable people in the most fair, effective, and efficient manner possible; and provides a full range of personnel and safety services in support of all other City departments and their functions.

## **Information and Technology**

The Information and Technology Department manages the City's telephone, telecommunications, cable television, and computer systems, including mainframes, personal computers, and local and wide area networks. The department also maintains and manages the geographic information systems and collects revenues from telecommunications activities.

## **Public Safety**

Police protection within Rockville is provided by both the City and Montgomery County, with the City's force providing an enhanced level of public safety service for City residents supplementary to that of the County. Both City and County respond to all types of calls. The Police Department has 57 authorized officers, plus 35 full time employees. City police officers are dispatched by the City dispatch system, but also listen to and respond to calls for service from the County dispatch system. Written memoranda of understanding between the City and the County govern their respective jurisdictions and responsibilities.

In addition, the Rockville Police Department provides community policing services and community enhancement and code enforcement, which are specially designed to meet the needs of the Rockville community through the assurance that residential and community properties are well maintained.

## **Public Works**

The City's Department of Public Works provides services in the areas of streets and drainage; refuse collection and recycling; water and sewer utilities; leaf collection, traffic operations; snow and ice control, and storm water management. In Fiscal Year 2007, the Public Works Department maintained an estimated 156 miles of streets and 298 miles of sidewalks. Refuse collection is provided to 13,678 dwelling units. Solid waste is disposed of at a sanitary landfill operated by Montgomery County, which charges the City for disposal on a per-ton basis.

The City operates a water treatment plant and 180 miles of water mains, which serve over 13,000 accounts within the City. The Washington Suburban Sanitary Commission (WSSC) operates 20.5 miles of water mains within the city, serving approximately 5,600 residences.

The City provides sewage collection for all but the WSSC service area. The City's sewage is treated at the Blue Plains regional treatment plant in the District of Columbia. Rockville has contractual entitlement to 9.3 million gallons per day of capacity at this plant, under an agreement with the WSSC. The City also maintains 93.0 miles of storm sewers. The City currently inspects and maintains 45 wet or dry ponds, 23 oil/grit separators, 12 stormceptors, 8 sand filters, 7 underground detention facilities, 4 bio-retention facilities, 3 infiltration trenches, 8 dry wells and 2 bay savers

## **Recreation and Parks**

The City's Recreation and Parks Department provides services such as parks and urban forest maintenance, recreation and cultural arts programs, special events, the wellness program, community services, a municipal golf course, and a swim center. It also maintains City buildings and facilities and provides quality maintenance and landscaping of all City rights-of-way. The department offers athletic programs, classes, cultural arts programs, and special fee supported trips. The department also offers community recreation programs such as playgrounds and open gyms that are supported through General Fund revenues. The operating expenses of the municipal golf course, the swim center and the childcare program are fee supported. The department also provides for the well being of individuals, families, and communities through the identification of the human service needs of all residents; delivery of preventive and intervention programs including counseling and outreach services.

## ***Regional Authorities***

### **Washington Suburban Sanitary Commission**

Operation and maintenance of the water and sewer system for approximately 5,600 residences in Rockville and for the rest of Montgomery County and Prince George's County is the responsibility of a bi-county agency, the Washington Suburban Sanitary Commission ("WSSC"). WSSC operates under State law and is governed by a six-member commission. The county executives of Montgomery County and Prince George's County each appoint three members, subject to confirmation by the respective county councils. The FY 2008 approved operating and capital budget for WSSC totaled \$507.5 million and it currently employs more than 1,500 positions.

Two major sources -- the Potomac and Patuxent Rivers -- provide the raw water supply. WSSC has 175 million gallons of water supply storage and an effective filtration capacity of 341 million gallons per day. Most of the WSSC sewage flows through a gravity trunk line system for treatment at the Blue Plains Wastewater Treatment Plant in Washington, D.C. WSSC has upgraded the Blue Plains Wastewater Treatment Plant to a wastewater treatment capacity of 370 million gallons per day.

### **The Maryland-National Capital Park and Planning Commission**

The Maryland-National Capital Park and Planning Commission administers more than 33,121 acres of parkland including 5 regional parks, each consisting of more than 200 acres, and 396 different park and open space areas, most locations serving as local and neighborhood parks. These parks feature 630 acres of lakes including Lake Frank, Lake Needwood, Little Seneca Lake and Pine Lake. Additionally, the 1,865 acre Seneca Creek State Park is located in the heart of Montgomery County. The National Park Service provides additional park facilities including the C&O Canal National Park and Great Falls National Park.

### ***Pension and Retirement Plan***

The City employees participate in one single-employer defined benefit pension plan and one defined contribution pension plan which report as separate pension trust funds. The Principal Financial Group is the administrator of these plans, which were established by the City of Rockville. The Public Employee Retirement System (PERS) is considered part of the City of Rockville reporting entity and is included in the City's financial reports as pension trust funds.

The payroll for employees covered by the PERS for the plan year ended March 31, 2007 was \$25,923,304.

For further information pertaining to the City's pension plans refer to "Note 3" of the "Notes to General Purpose Financial Statements" contained as a part of Appendix A to this Official Statement.

### ***Employee Relations and Bargaining Units***

The City currently funds approximately 553 full-time equivalents on its work force. Administrative, technical, and clerical employees have the option of joining the Association of Administrative Municipal Employees (AAME), which meets and confers with management on various items of employee concern. Police officers also have the option of joining the Fraternal Order of Police (FOP), which also meets and confers with management. Neither AAME nor the FOP engages in collective bargaining with the City. Labor classification employees, who work in the Public Works and Recreation and Parks Departments, are represented by the American Federation of State, County and Municipal Employees (AFSCME) Local 1453, which bargains collectively with the City. The current contract is in force through June 30, 2011. Since the City recognized the union in 1967, there have been no strikes by municipal employees. The City considers its labor relations to be excellent.

### ***Investment Policy***

The City maintains an active cash and investment management program. The primary goals of the program are compliance the federal, state and local laws governing the investment of public monies, providing sufficient liquidity to meet financial obligations, preserve capital, and the attainment of a favorable rate of return.

The City's investment policy was revised in May 2006, and complies with all State of Maryland requirements. The City is authorized to invest in obligations for which the United States has pledged its full faith and credit for the payment of principal and interest, in obligations that a federal agency issues in accordance with an Act of Congress, or in repurchase agreements that any of the foregoing obligations secure. In addition, the City may invest in bankers' acceptances, commercial paper of the highest investment grade, money market funds which are also of the highest investment grade and any investment created under the Maryland Local Government Investment Pool that is administered by the State Treasurer.

### ***Other Post Employment Benefits***

In June 2004 the Governmental Accounting Standards Board ("GASB") issued GASB 45, which address how state and local governments are required to account for and report their costs and obligations related to other post employment benefits ("OPEB"), defined to include post retirement healthcare benefits. GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension establishes financial reporting standards designed to measure, recognize and display OPEB costs. OPEB costs would become measurable on an accrual basis of accounting, and contribution rates (actuarially determined) would be prescribed for funding such costs. The provisions of GASB 45 do not require governments to fund their OPEB plans. In accordance with the requirements of GASB 45, the City's financial statements must comply with these provisions no later than the fiscal year ending June 30, 2009. For further information, refer to the City's June 30, 2007 Comprehensive Annual Financial Report contained as Appendix A of this Official Statement.

## **ECONOMIC AND DEMOGRAPHIC INFORMATION**

### ***Population***

The City, with an estimated 2008 population of 63,170 is the third largest city in the State of Maryland. Rockville experienced the same rapid population growth in the 1950s and 1960s that made the Washington Metropolitan Statistical Area one of the most rapidly growing large metropolitan areas in the nation. The City's population grew from 6,934 in 1950 to 26,090 by 1960 and 42,079 by 1970. Population growth moderated during the 1970s. Table 2 presents the population of the City and Montgomery County as recorded in the past five decennial censuses.

**Table 2**  
**Population Statistics**

<u>Year</u>	<u>City of Rockville</u>	<u>Montgomery County</u>
2008 Estimate	63,170 <sup>(1)</sup>	968,000 <sup>(2)</sup>
2000 Census	47,388	877,944
1990 Census	44,835	759,600
1980 Census	43,811	579,053
1970 Census	42,079	522,809
1960 Census	26,090	340,928

(1) City of Rockville Planning Department.

(2) Maryland - National Capital Park and Planning Commission.

Source: U.S. Census Bureau, unless otherwise noted.

While Rockville's population has continued to grow, the makeup of its population continues to be relatively young with more than 62 percent of residents younger than age 45 in 2000. The distribution of population by age is presented in the table below.

**Table 3**  
**Percent of Total Population by Major Age Group**

<u>Age Group</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1960</u>
19 years and under	25.4	25.6	32.8	43.9	48.5
20 to 44 years	37.1	42.5	40.6	34.2	39.1
45 to 64 years	24.5	21.4	20.3	17.9	9.6
65 years and over	<u>13.1</u>	<u>10.5</u>	<u>6.3</u>	<u>4.0</u>	<u>2.9</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: U.S. Bureau of the Census. (Detail may not add to summations due to rounding.)

### ***Employment Characteristics***

The City of Rockville Department of Community Planning and Development Services estimates that in 1980, the number of jobs in Rockville was approximately 36,400. In 1990, it was estimated that there were 54,000 jobs in the City. In the 2008 fiscal year, it is currently estimated that there were 83,972 jobs in the City, exceeding the current population estimate of 63,170.

Employment in the City and in Montgomery County is well diversified, with the largest percentage of employment occurring in services, retail trade and government. Table 4 presents categories of civilian employment in Montgomery County in 2000 (the most recent year for which statistics are available) compared with 1990.

**Table 4**  
**Analysis of Change in Montgomery County Civilian At-Place Employment**

<u>Employment Category</u>	<u>2000</u>	<u>1990</u>	<u>Difference</u>
<b>Private Employment:</b>			
Construction	5.90%	7.00%	-1.10%
Manufacturing	4.50%	4.70%	-0.20%
Retail Trade	16.40%	19.00%	-2.60%
Wholesale Trade	3.00%	3.70%	-0.70%
Finance, Insurance and Real Estate	7.10%	7.30%	-0.20%
Services	41.20%	34.80%	6.40%
Transportation, Communication & Public Utilities	3.00%	2.90%	0.10%
Other	<u>1.60%</u>	<u>1.10%</u>	<u>0.50%</u>
Total Private Sector	<u>82.70%</u>	<u>80.50%</u>	<u>2.20%</u>
<b>Government Employment</b>			
Federal	8.80%	11.20%	-2.40%
State	0.20%	0.40%	-0.20%
Local	<u>8.30%</u>	<u>7.90%</u>	<u>0.40%</u>
Total Government	<u>17.30%</u>	<u>19.50%</u>	<u>-2.20%</u>
<b>Grand Total</b>	<u>100.00%</u>	<u>100.00%</u>	

Source: State of Maryland, Department of Labor, Licensing and Regulation.

### ***Labor Force and Unemployment***

Table 5 lists the labor force, employed persons and average unemployment rates for Montgomery County as compared to the unemployment rates for the State of Maryland for the years 2003 through 2007, and June 2008 only. Information presented in the table below has not been seasonally adjusted.

**Table 5**  
**Unemployment Statistics**

<u>Year</u>	<u>Montgomery County</u>				<u>State of Maryland</u>
	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2008 <sup>(1)</sup>	512,760	498,396	14,364	2.8%	3.8%
2007	512,130	498,279	13,851	2.7%	3.6%
2006	516,688	504,751	14,937	2.9%	3.9%
2005	507,556	491,643	15,913	3.1%	4.2%
2004	498,237	482,131	16,106	3.2%	4.3%
2003	497,820	481,200	16,620	3.3%	4.5%

<sup>(1)</sup> June 2008 only.

Source: Maryland Department of Labor, Licensing and Regulation, Office of Workforce Information and Performance.

## ***Major Employers***

In addition to the Montgomery County and City of Rockville governments, the 12 largest private employers by number of employees are as follows:

**Table 6**  
**Major Employers in the City of Rockville**

<u>Name</u>	<u>Product/Service</u>	<u>Employees</u>
Westat Inc.	Research Organization	1,900
Human Genome Sciences	Biopharmaceutical Corporation	850
Wolpoff & Abramson, LLP	Attorneys	650
Community Services for Autistic Adults & Children	Nonprofit Servicing Disabled Persons	545
Booz Allen Hamilton	Management Consulting	500
Lockheed Martin Information Systems	Engineering Contractor	500
U.S. Pharmacoepia	Pharmaceutical Firm	500
J. Craig Venter Institute	Pharmaceutical Firm	450
BioReliance	Research Organization	425
Legal & General America/Banner Life Insurance	Insurance	400
EU Services	Printing and Direct Mail Production	385
Risk Metrics Group	Research Organization	380

Source: Rockville Economic Development, Inc (June 2008).

## ***Retail Sales and Buying Income***

Income levels in the City of Rockville are among some of the highest in the nation. Retail sales have grown steadily in the City. Many of the major retail centers in the City are located in the Town Center and along Rockville Pike (Maryland Route 355). A significant percentage of the City's retail trade results from expenditures by individuals living outside the City.

Table 7 lists median household effective buying income (EBI) and per capita retail sales for the City of Rockville and Montgomery County for the years 2002 through 2007. Retail sales figures are projections provided during the current year; whereas median household effective buying income is reported for the previous calendar year.

**Table 7**  
**Retail Sales/Buying Income**

<u>Year</u>	<u>Median Household EBI</u>		<u>Per Capita Retail Sales</u>	
	<u>City of Rockville</u>	<u>Montgomery County</u>	<u>City of Rockville</u>	<u>Montgomery County</u>
2007	N/A	N/A	\$ 29,111	\$ 18,367
2006	\$ 63,850	\$ 66,215	28,960	16,588
2005	60,776	62,745	27,562	15,920
2004	57,206	61,223	26,901	14,640
2003	56,501	59,508	27,400	13,937
2002	56,213	58,620	24,424	13,186

Source: *Sales and Marketing Management*, "Survey of Buying Power," for the editions 2002 through 2005, and Claritas, Inc. for 2006 and 2007 editions.

### ***Household Income Levels***

The relative distribution of income among Rockville households by income levels for 2004 is presented in the following table.

**Table 8**  
**Distribution of Rockville Households by Income Levels**

<u>Income Range</u>	<u>Number of Households</u>	<u>Percentage of Households</u>
Less than \$15,000	985	4.5%
\$15,000 - \$29,999	1,423	6.5%
\$30,000 - \$49,999	3,766	17.2%
\$50,000 - \$74,999	3,109	14.2%
\$75,000 - \$99,999	3,788	17.3%
\$100,000 +	8,824	40.3%
Total	<u>21,895</u>	<u>100.0%</u>

Source: 2005 Census Update Survey, Research and Technology Center, Montgomery County Planning Department, M-NCPPC June 2006.

### ***Land Use***

Rockville's land use patterns reflect that of a maturing suburban employment center with stable residential neighborhoods. Many of Rockville's single family residential neighborhoods date from the post-war period through the early 1980s, but there is little available land remaining for this type of development. Most of the current and future growth will occur within the City's three Comprehensive Planned Developments: Tower Oaks, King Farm and Fallsgrove. While Tower Oaks is primarily an office park, King Farm and Fallsgrove represent a new development pattern of dense, mixed-use, transit-oriented residential development served by a neighborhood retail center, coupled with significant amounts of campus-style office development. Ingleside at King Farm, now under construction, caters to the needs of the senior population. New residential and retail development is proposed at the Twinbrook Metro Station, known as Twinbrook Station, and in Town Center near the Rockville Metro Station with projects like Duball and KSI. Older employment and retail areas such as the Rockville Pike corridor and the Research Boulevard / Piccard Drive areas adjacent to the I-270 corridor are mostly built, but have been subject to redevelopment efforts which replace older structures or add new buildings to existing sites to create more intense development. A major redevelopment of the core of the Town Center, undertaken by the City, is complete, which features a mixed-use, pedestrian-oriented downtown area featuring retail, office and residential structures, as well as a new library development adjacent to the Rockville Metro station.

**Table 9**  
**Vacancy Rates (as of July 7, 2007)**

<u>Location</u>	<u>Total Square Footage</u>	<u>Available Square Footage</u>	<u>Vacancy Rate</u>
City of Rockville	11,697,722	1,249,683	10.68%

Source: CoStar Property, Montgomery County's source for commercial real estate information.

## ***Construction - Residential and Commercial Development***

The City has experienced significant residential and commercial growth for a number of years. Current expectations for Rockville's future are for continued strong residential, commercial and industrial development activity. The following table presents a summary of new residential and new commercial/industrial construction permit activity in Rockville for the past five years.

**Table 10**  
**Building Permits**

<u>Fiscal Year</u>	<u>New Residential</u>		<u>New Commercial/Industrial</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
2008	634	\$ 20,011,341	247	\$ 132,193,430
2007	671	168,374,473	327	171,334,724
2006	693	38,769,436	297	179,031,831
2005	831	63,497,645	346	138,827,591
2004	1,204	73,202,005	323	62,754,668

Source: City of Rockville Community Planning and Development Services.

## ***Development and Growth Goals***

The City government has development review and permit processes that assists in promoting Rockville as an advantageous location for doing business. The City consistently follows its updated Master Plan in zoning and approving new development. The City is currently rewriting its Zoning Ordinance to become more user-friendly and reflect the City's maturation.

The Master Plan and City policies also promote the preservation of residential neighborhoods through zoning, enforcement of codes, and land-use decisions. All rental units in the City are licensed and inspected for conformance to building codes. The City does not have rent control.

## **City Growth Areas**

**King Farm.** Office and commercial activity continues to be strong in the 430-acre King Farm urban village in Rockville. The residential component of King Farm is completed with 363 single-family detached units, 749 multifamily attached units, and 2,092 multifamily units. There are 650 units approved for the Ingleside, at the King Farm community, which would primarily cater to the needs of the City's senior population by providing senior living facility including independent living, assisted living and nursing home uses. Construction of the newest office building, Four Irvington Centre, has been completed and features over 200,000 square feet of space and a 120-person conference room. Lead tenants are Fed Med Inc., and Health Extras Inc. Three Irvington Center broke ground in August 2000 and delivered in April 2002. The 217,000 square foot building has experienced significant leasing activity, most notably a 75,000 square foot lease by Dental Benefit Provider, a 24,000 square foot lease by Hilb, Rogal and Hamilton Company, and an 11,000 square foot lease by Mason Dixon Funding. The 165,000 square foot building at Two Irvington Center delivered in December 2000 and includes tenants such as Wolpoff and Abramson, Avendra, and Client Network Services Inc. One Irvington Center, the first office building completed on campus, is almost completely leased to companies such as Aronson and Company, Artesia Technologies and Quest Software, Inc. This building also includes the upscale restaurant Nick's Chophouse. Also, construction of a 175,000 square foot full service Sheraton hotel was completed in 2006. In the pipeline are five, six, seven and eight Irvington Center with approximately 1 million square feet of office space and 20,000 square feet of retail proposed to be built by 2015. The entire Irvington Center campus is comprised of over 90 acres and will ultimately include over two million square feet of office commercial, retail, and hotel space.

**Upper Rock District.** The Upper Rock District is the City of Rockville's newest mixed use community, proposed on 19.8 acres of property known as Danac Technological Park, located adjacent to the King Farm development, bounded by Choke Cherry Road to the north, Shady Grove Road to the west and I-270 to the south. The applicant,

JBG Companies, is building a community that is compatible with the new urbanism of neighboring King Farm, and is proposing mixed-use development including residential, commercial and live/work components with residential amenity facilities and structured parking to complement and redevelop existing office uses. There are two existing office buildings, a nine-story building of 238,087 square feet at 1 Choke Cherry Road, and a three-storied building of 73,700 square feet at 5 Choke Cherry Road. Proposed additional development includes 23,500 square feet of commercial/retail (including 14,500 square feet in the market place), 844 multi-family residential units in six buildings, which include up to 126 live/work units, and structured parking garages, a marketplace for retail and office uses, outdoor plaza, and green spaces. The existing 73,700 square feet of office building will eventually be converted into residential units, included in the 844 units approved. The entire project is expected to be completed by 2012, with the first two residential buildings already approved.

**Rockville Town Center/Rockville Metro Plaza.** Plans were announced in 2003 for the redevelopment of more than 15 acres in downtown Rockville, which included two major components. First is the 12.5-acre \$369 million mixed-use Town Square project, which is complete. It includes approximately 185,000 square feet of retail space, which is almost completely leased; 644 residential units (152 condominiums and 492 apartments); the Arts and Innovation Center, which includes a 2-story center for visual arts and a 2-story “incubator” for start-up biotechnology-oriented companies; the new Rockville Library, which has 2 stories of library space and one story of County offices; three public parking garages with 970 parking spaces; a new public plaza; and two new streets. The project has been funded by approximately \$267 million in private investment and \$102 million in public investment from a combination of the City of Rockville, Montgomery County, the State of Maryland and the federal government. Adjacent to Town Square is the privately financed Rockville Metro Plaza, will include two new office buildings at the Rockville Metro Plaza site totaling 400,000 square feet. Already completed is the first of these buildings, which is a 230,000-square-foot Class A facility that delivered in October 2002. Software developer SAS Institute is the lead tenant in this building. Town Square is only one part of the broader Town Center, which includes thriving retail strips that include successful restaurants such as California Tortilla, Tara Asia, the Apollo, Blimpie’s, Ben & Jerry’s, and Pot Belly’s; and the 13-screen Regal Cinemas movie theater. A nearby surface parking lot, also part of the Rockville Center project, is approved for 485 room hotel and 45,300 square feet of street level retail, to be built by Duball LLC. Another project is proposed for Kettler, at 255 North Washington Street, consisting of 9,037 square feet of retail and 293 multifamily units.

**Tower Oaks Corporate Park.** This 200-acre site is prominently located just off I-270 in Rockville. The 180,000 square foot building located at the Preserve at Tower Oaks is now fully leased with the 2003 additions of Capital Management Strategic Financial Services and Paradigm Solutions Corporation. The primary tenant in this building continues to be Legato Systems. Booz Allen and Hamilton and Bank of America are among the tenants in the dramatic 260,000 square foot Tower Building located on Wootton Parkway, signing a lease for 40,000 square feet in March 2003. This building also includes the U.S. Department of Health and Human Services, Telenor Satellite Holdings, and HHS Ventures. The 30,000 square foot Oak Plaza delivered in March 2002 and is fully leased, and includes Sun Control Systems, and Ronald Cohen Investments as lead tenants. The Clyde’s Tower Oaks Lodge restaurant opened in the park in 2002, representing the first retail establishment to locate in the development. Currently under construction on Tower Oaks Boulevard is 200,000 square feet of office building being built by the Tower Companies and Lerner Enterprises, and the scheduled completion is summer of 2008. A renaissance hotel, a condominium hotel and fitness center will be added at a later phase to this site. The entire Tower Oaks Corporate Park is planned for over two million square feet of office, retail, restaurant and hotel space.

**Fallsgrove (Thomas Farm).** In fiscal year 2000, the Mayor and Council approved a Comprehensive Planned Development (CPD) for the Fallsgrove development (formerly known as the Thomas Farm). The 254-acre property was approved for 1,530 residential units, 950,000 square feet of office and research and development space, and 150,000 square feet of commercial retail.

The project includes a large section of the Millennium Trail Bike path, a park, a school site, the first community center west of I-270, and significant open space.

Fallsgrove now includes a total of 1,442 units residential units, of which there are 186 single family detached units, 480 attached units and 776 multifamily units. Approval has been granted for approximately 472,470 square feet of office space, and 140,000 square feet of retail space. The Village Center retail is complete and fully leased. A

proposal to convert 150,000 square feet of office space to a hotel was approved in 2005 and 133,052 square foot hotel has already been approved.

**Twinbrook Station.** Twinbrook Station is a proposed mixed-use development at the Twinbrook Metro Station that was annexed by the City in 2005. The 26-acre property is approved for 1,595 multi-family dwelling units, 320,000 square feet of office, and 220,000 square feet of commercial retail space.

**Rockville Pike.** The Rockville Pike Planning Area within the City boundary covers the 1.5-mile stretch of the Pike that runs south of Richard Montgomery Drive to Twinbrook Parkway. An urban plan for the area was approved in 1989. Since that time, traffic has increased and demographics have changed, both of which have moved market demand toward redevelopment in the form of mixed-use environments and transit-oriented development. The City has embarked on a planning process with the help of consultants to improve the functionality and design of the corridor, in accordance with community wishes. The study will almost certainly result in improvements to the transportation system and to land-use regulations such that Rockville Pike will be a walkable, mixed-use community with easy access to transit, while still accommodating the automobile.

The Rockville Pike corridor has significant potential for growth in multi-family housing. The Consultant team for the Planning estimates that the study area can absorb 200-300 units annually in the next five to seven years. In contrast, the Rockville Pike Area has seen no new office construction in the last five years. Due to concerns such as traffic congestion and site constraints, it appears that the study area is less likely to attract new office development as compared to areas such as North Rockville and North Bethesda. The exceptions are in the areas of the two Metro Stations. The Twinbrook Station project, in the south part of the study area, includes a significant office component. The north part of the study area is near Rockville Town Center and the Rockville Metro Station and offers some demand for office development, according to the consultant team. The consultants have emphasized several traffic and visual improvements along the pike, which are designed to help traffic flow and safety and to includes the overall “feel” of the Pike.

Rockville Pike study area has over 2 million square feet of retail space, and over 600 retail establishments. The southern portion accounts for about 60 percent of these totals and tends to feature more national retailers, while the northern portion tends to feature more local businesses. Rents on the Pike have been consistently high in the last few years, ranging from about \$28 a square foot on the North Pike to about \$41 a square foot on the South Pike.

## **Housing**

As of fiscal year 2000, more than 75 percent of the City's housing stock was less than 30 years old. Because a majority of homes were built within a relatively short span following World War II, the entire housing stock in several large neighborhoods will approach maturity at the same time. City policy has mandated that careful attention be directed to the conditions of these dwellings and the public improvements made within these areas to maintain the housing quality and the neighborhood environment. The City's policy is to prevent deterioration and encroachment of commercial and industrial development, thus maintaining property values and neighborhood stability.

Another method of preserving neighborhoods is the City's home improvements program. Since 1975, the City has operated a federally funded Community Development Block Grant (CDBG) rehabilitation program under which loans and grants are provided to low and moderate income families who would not normally be able to afford the necessary repairs and improvements to their homes. To date, on average 15 – 20 households per year receive assistance under this program.

Trends in housing prices in Rockville have increased at a higher rate than those throughout the nation. Currently, the average resale price for homes is over \$500,000. In the year 2006, the median price of a new townhouse was \$650,000 and a new single family home was \$1,342,868, based on Tax Assessment Records.

Rockville negotiated an agreement with WSSC in 1975 which guarantees the City a total of 9.31 mg/d sewer capacity, so there is adequate capacity to accommodate additional housing construction. Any limits on construction activity in Montgomery County due to sewage capacity problems should not restrict development of Rockville.

Table 11 presents housing units by type from 1960 to 2000.

**Table 11**  
**Dwelling Units Occupied by Year and by Type**

	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>	<u>1960</u>
Single Family Detached	10,487	10,181	9,797	8,537	5,478
Single Family Attached	2,755	1,919	1,870	86	91
Multi-Family	<u>4,526</u>	<u>4,212</u>	<u>3,387</u>	<u>3,045</u>	--
Total	<u>17,768</u>	<u>16,312</u>	<u>15,054</u>	<u>11,668</u>	<u>5,569</u>

Source: U.S. Bureau of the Census.

Based on the pipeline projects and forecasts, it is anticipated that the percentage of population living in a multifamily or a condominium is expected to be 75% in all development proposed between 2000 and 2030. This trend is expected to continue as the City is maturing and developable land is getting scarce.

## *Utilities*

### **Electricity**

Electric power for Rockville and the surrounding area is provided by the Potomac Electric Power Company (PEPCO).

### **Gas**

Three natural gas transmission pipeline companies (Columbia Gas Transmission, Dominion Transmission and Transcontinental Gas Pipeline Corporation) supply Rockville and surrounding areas with natural gas. The distributor is the Washington Gas Light Company.

### **Wastewater**

The City of Rockville operates its own wastewater collection system serving the entire City except for the two WSSC service areas. Rockville's capacity at the Blue Plains treatment plant in the District of Columbia is 9.3 millions of gallons per day ("mg/d"); average daily demand in fiscal year 2008 was 7.20 mg/d.

### **Water**

The City of Rockville owns and operates the Sandy Landing Road Water Treatment Plant and distributes water to about 90 percent of the City. The Potomac River is the source of the water. Average demand during fiscal year 2008 was 5.000 mg/d. About 10 percent of the City's residents and businesses receive water service from the WSSC.

Rockville invested \$15 million to upgrade its Water Treatment System to meet three objectives: rehabilitate the 45-year old plant, including raw and finished water pumps, to reduce maintenance requirements; upgrade the treatment process to meet stricter environmental standards; and expand the production capability to meet future demand. The construction program began in the early 1990s and was completed in 2006. The State approved the City's request for a rated capacity expansion of the plant from 8.0 mg/d to 12.1 mg/d to serve projected growth. The City's sewage flows through the WSSC system for treatment at Blue Plains. The City's allotted capacity at Blue Plains is 9.3 mg/d, which is included in the WSSC's total allocation of 170 mg/d.

## ***Transportation***

Rockville is located along one of the major east coast rail and highway routes to the northeast. Interstate 270 bisects the City and is the major route to such industrial centers as Buffalo, Pittsburgh, and Cleveland. Interstate 495 (Capital Beltway) and Interstate 95 provide access to Baltimore, Philadelphia, and New York City. Rail service in Rockville includes Amtrak passenger trains, Baltimore and Ohio freight and passenger service, and six-day commuter rail service. Six other railroads are available in nearby Washington, D.C.

Rockville is within 30 minutes driving time of three major airports: Baltimore-Washington International Thurgood Marshall, Dulles International, and Ronald Reagan Washington National Airport. Private and business aircraft are served by Montgomery County Airpark, 10 minutes north of Rockville.

Rockville is served by the Washington Metropolitan Area Transit Authority's Metrobus system and Metrorail. Several bus lines travel between Montgomery College, the Rockville Town Center, and downtown Washington, D.C. Other lines provide access between Rockville and suburbs to the east, including the Silver Spring Metrorail station. In addition, a County-operated, neighborhood-oriented 'Ride-On' minibus system has been in operation in Rockville since 1984.

Rockville is served by the Metro rapid transit system which connects Rockville to downtown Washington D.C. Downtown Washington D.C. and the greater metropolitan community are easily accessible for those who live and those who work in Rockville. One rapid rail station is located in downtown Rockville, close to the County Government Center and the businesses in the Town Center. A second station, the Twinbrook Station, is located near several residential neighborhoods and the commercial area along Maryland Route 355. Rockville residents are able to travel to downtown Washington D.C. in 25 minutes. The combination of service to, from and within Rockville facilitate travel for area employees and shoppers.

## ***Educational Facilities***

### **Primary and Secondary**

Public schools in Rockville are operated by the Montgomery County Board of Education. Currently the 16<sup>th</sup> largest school district in the United States, the system operates 192 elementary and secondary schools, 7 special/alternative schools and one technology career center. The operating budget is \$1.98 billion for fiscal year 2008. The emphasis that the County residents place on education is reflected in per pupil operating expenditures of \$12,722 in fiscal year 2008, and in the high percent of high school graduates who continue formal education. The total MCPS staff complement (full-time) is 21,840, with a student to instructional staff ratio of 12.08:1.

In fiscal year 2008, projected enrollment is 137,798 students. Between 1985 and 2005, 55 schools have been built or reopened in response to increasing enrollments. Enrollment in the public schools is anticipated to continue to increase, with 146,858 students projected for fiscal year 2008.

Montgomery County Public Schools (MCPS) students continue to score above state and national averages on Scholastic Aptitude Tests. Of MCPS 2007 graduates, 75.2 percent went on to college study after graduation, compared to 63.9 percent of all State graduates. MCPS students in 2008 continue to achieve various forms of academic distinctions, including 56 National Merit Scholars and 33 National Blue Ribbon schools from 1983 to 2008.

### **Institutions of Higher Education**

*Montgomery College.* Founded in 1946, Montgomery College was the first community college in Maryland. It has grown into a fully accredited institution of higher learning offering a two-year college program with an enrollment of about 14,000. The Rockville campus offers 600 courses and 40 curricula and options.

*Area Universities.* Eleven major universities offering advanced degree programs in engineering, medical, business and computer sciences are located within commuting distance of Rockville. Included among them are the University of Maryland, Georgetown University, The George Washington University, Johns Hopkins University, Howard

University, Hood College, American University, Catholic University of America, and the University of the District of Columbia.

### ***Recreation and Parks***

Rockville has 66 public parks comprising more than 1,042 acres of parkland. Under its Urban Forestry program, the City maintains more than 25,200 street trees and thousands of trees located on facility grounds and in the parks; Rockville is a Tree City USA. The City operates a Municipal Swim Center with four large pools (indoor/outdoor), a senior center, municipal golf course, a civic center complex, which includes a historical mansion and a 500-seat theater, plus several community recreation centers. Recreation programs for all ages are offered throughout the year, housed in City facilities, and utilizing the eight elementary schools, two middle schools and three high schools. These include sports, dance, arts, crafts, cooking, exercise, lifetime skills and hobbies, and more. Rockville residents enjoy an extensive arts program, including an art gallery, seven resident theater groups, art-in-public places, concert series, and other events. Major special events include Independence Day fireworks; Hometown Holidays, a three-day festival over Memorial Day Weekend; Spirit of Rockville, a celebration of cultures; Antique and Classic Car Show; and the Rockville Rotary Twilight Runfest.

Rockville residents enjoy a variety of private-sector recreational facilities and programs, including two private golf courses and country clubs, a major ice skating arena, indoor children's amusement park, miniature golf, racquetball/squash courts, exercise clubs, and more.

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## **FINANCIAL SUMMARY**

Full Cash Value - as of July 3, 2008			\$ 14,633,153,960
Assessed Value - as of July 3, 2008			\$ 14,200,336,298
Taxable Assessed Value - as of July 3, 2008			\$ 9,929,536,324
General Obligation Long-Term Debt (Includes the Bonds)			\$ 125,648,242
Revenue Debt			\$ --
Overlapping General Obligation Debt			\$ 107,021,413
Population (2008 Estimate)			63,170
<b>Debt Ratios:</b>			
	<u>Amount</u>	Debt Per Capita (63,170)	% of <u>Full Cash Value</u>
General Obligation Long-Term Debt	\$ 125,648,242	\$ 1,989	0.86%
Overlapping Debt	<u>107,021,413</u>	<u>1,694</u>	<u>0.73%</u>
Total	<u>\$ 232,669,655</u>	<u>\$ 3,683</u>	<u>1.59%</u>

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## INDEBTEDNESS OF THE CITY

### *Authorization of Debt*

The City of Rockville has the authority to issue general obligation bonds or bond anticipation notes upon a majority vote of the Mayor and Council. General Obligation Bonds and Bond Anticipation Notes are issued to finance public improvements including the acquisition of land for public purposes, construction of significant facilities, nonrecurring rehabilitation or major repair of facilities and engineering, design, and planning work related to projects as set forth in the City's Capital Improvement Program.

General obligation debt of the City is divided, for the purposes of the following schedules, between debt that is primarily paid from the City's tax levy and special assessment collections and debt that is paid from the revenues of the City's water, sanitary sewer and refuse enterprise funds. Though various sources of revenue are used to pay debt service, the City's general obligation bonds are all backed by the City's full faith, credit and taxing power.

### *Debt History*

Table 12 presents the City's historical summary of bonded indebtedness for the past five years.

**Table 12**  
**Historical Summary of Bonded Indebtedness**

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Total</u> <u>Bonded Debt<sup>(1)</sup></u>	<u>Enterprise</u>	<u>Net Bonded Debt</u>	<u>Adjusted Net</u> <u>Bonded Debt<sup>(2)</sup></u>
2008	\$ 112,498,242	\$ 68,836,288	\$ 43,661,954	\$ 39,515,693
2007	99,040,566	61,234,530	37,806,036	35,111,065
2006	105,504,220	63,592,756	41,911,464	38,310,272
2005	65,989,905	22,500,169	43,489,736	27,637,527
2004	68,947,917	22,923,193	46,024,724	42,480,282

(1) Includes general obligation bonds and the Enterprise Fund debt.

(2) The net bonded debt is reduced by the amount of equity in the Debt Service Fund for the purpose of calculating the ratio and per capita figures in the following table.

Table 13 presents debt statistics for the past five years.

**Table 13**  
**Five Year Debt Statistics**

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Population<sup>(1)</sup></u>	<u>Taxable</u> <u>Assessed Value</u>	<u>Adjusted Net</u> <u>Bonded Debt</u>	<u>Adjusted Net</u> <u>Bonded Debt</u> <u>to Assessed Value</u>	<u>Adjusted Net</u> <u>Bonded Debt</u> <u>Per Capita</u>
2008	63,170	\$ 9,929,536,324	\$ 39,515,693	0.40%	\$ 626
2007	61,030	9,396,506,804	35,111,065	0.37%	575
2006	59,887	7,941,275,256	38,310,272	0.48%	640
2005	59,658	7,595,618,601	27,637,527	0.36%	463
2004	57,100	6,717,905,829	42,480,282	0.63%	744

(1) Provided by the City of Rockville Department of Community Planning and Development Services.

### *Debt Limit*

There are no statutory or Charter provisions limiting the amount of general obligation debt that may be issued by the City.

## Revenue Debt

The City has no revenue debt outstanding.

## General Obligation Long-Term Debt

The table below summarizes the outstanding debt of the City as of June 30, 2008 and upon the issuance of the Bonds described herein.

**Table 14**  
**General Obligation**  
**Debt Outstanding by Issue**

<b>General Fund</b>	<b>Issue Date</b>	<b>Interest Range Outstanding</b>	<b>Final Maturity Date</b>	<b>Principal Outstanding</b>
General Improvements	1998	4.30%	2013	\$ 750,000
General Improvements	2001	4.00% - 4.65%	2021	1,746,745
General Improvements	2003	2.20% - 3.875%	2023	7,581,395
General Improvements – refunding	2003	2.20% - 3.00%	2013	2,005,468
General Improvements	2004	4.00% - 5.00%	2029	9,120,000
Community Energy Loan Program	2005	2.00%	2012	348,346
General Improvements	2005	3.50% - 5.00%	2036	12,220,000
General Improvements	2007	4.00% - 4.25%	2027	<u>9,890,000</u>
Total General Fund Bonds				<u>\$ 43,661,954</u>
<b>Business Type Activity</b>				
General Improvements	1999	3.21%	2019	\$ 1,750,915 <sup>(1)</sup>
General Improvements	2000	3.21%	2020	1,364,323 <sup>(1)</sup>
General Improvements	2001	4.00% - 4.65%	2021	2,218,255 <sup>(2)</sup>
General Improvements	2002	1.90%	2023	2,744,385 <sup>(1)</sup>
General Improvements	2003	2.20% - 3.875%	2023	2,463,605 <sup>(3)</sup>
General Improvements – refunding	2003	2.20% - 3.00%	2013	819,532 <sup>(4)</sup>
General Improvements	2004	4.00% - 5.00%	2029	6,730,000 <sup>(5)</sup>
General Improvements	2005	0%	2036	1,235,273 <sup>(6)</sup>
General Improvements	2005	3.50% - 5.00%	2036	38,990,000 <sup>(7)</sup>
General Improvements	2007	4.00% - 4.25%	2027	10,520,000 <sup>(8)</sup>
General Improvements	2008	Issue Herein	2028	<u>13,150,000<sup>(9)</sup></u>
Total Business Type Activity Bonds				<u>\$ 81,986,288</u>
Total General Obligation Bonds				<u>\$ 125,648,242</u>

<sup>(1)</sup> This portion represents the amount abated with funds from the water fund.

<sup>(2)</sup> This portion represents the amount abated with funds from the sanitary sewer and refuse funds.

<sup>(3)</sup> This portion represents the amount abated with funds from the sanitary sewer, refuse and golf course funds.

<sup>(4)</sup> This portion represents the amount abated with funds from the water and sanitary sewer funds.

<sup>(5)</sup> This portion represents the amount abated with funds from the parking, sanitary sewer, and refuse funds.

<sup>(6)</sup> This portion represents the amount abated with funds from the storm water fund.

<sup>(7)</sup> This portion represents the amount abated with funds from the parking, water, sanitary sewer, and refuse funds. Currently, parking fund revenues abate only portion of the debt service allocable to \$30,810,000 payable from parking funds. The remainder of the debt service is paid from general fund revenues.

<sup>(8)</sup> This portion represents the amount abated with funds from the water, sanitary sewer and refuse funds.

<sup>(9)</sup> This portion represents the amount abated with funds from the water fund, and represents the Bonds described herein.

As indicated in the table above, portions of the City's general obligation debt service are being paid with revenues of the sewer, water, refuse and parking funds. The schedules on the following page report annual debt service payments for the City of Rockville's general obligation debt by source of payment. The following table presents the portion of the City's debt service, including debt service on a portion of the Bonds, which is being paid through the tax levy and special assessments. The second table following presents the portion of the City's debt service, including debt service on a portion of the Bonds, which is being paid with revenues of City enterprise funds.

General obligation debt of the City is divided, for the purposes of the following schedules, between debt that is primarily paid from the City's tax levy and special assessment collections and debt that is paid from the revenues of the City's water, sanitary sewer and refuse enterprise funds. Though various sources of revenue are used to pay debt service, the City's general obligation bonds are all backed by the City's full faith, credit and taxing power.

Table 15 presents the annual principal and interest payments for the City's general obligation bonds, including the Bonds.

**Table 15**  
**General Obligation Debt**  
**Schedule of Annual Maturities**

<u>Fiscal Year</u>	<u>Outstanding Debt</u>		<u>This Issue</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal<sup>(1)</sup></u>	<u>Interest<sup>(2)</sup></u>	
2009	\$ 6,769,941	\$ 4,409,204	\$ 825,000	\$ 345,147	\$ 12,349,292
2010	6,802,390	4,154,000	835,000	480,344	12,271,734
2011	6,235,195	3,923,033	835,000	455,294	11,448,522
2012	6,233,365	3,705,470	835,000	430,244	11,204,079
2013	5,960,251	3,485,808	835,000	405,194	10,686,253
2014	5,627,496	3,263,260	835,000	378,056	10,103,812
2015	5,654,952	3,052,192	830,000	348,831	9,885,975
2016	5,682,781	2,847,530	835,000	319,781	9,685,092
2017	5,725,996	2,619,366	835,000	286,381	9,466,743
2018	5,185,525	2,383,818	835,000	252,981	8,657,324
2019	5,308,627	2,182,988	485,000	219,581	8,196,196
2020	5,171,628	1,969,651	485,000	199,575	7,825,854
2021	5,078,327	1,761,686	485,000	179,569	7,504,582
2022	4,811,819	1,562,443	485,000	159,563	7,018,825
2023	4,860,721	1,374,871	480,000	138,950	6,854,542
2024	4,101,564	1,171,873	480,000	117,350	5,870,967
2025	3,382,664	1,000,122	480,000	95,750	4,958,536
2026	2,155,000	861,264	480,000	71,750	3,568,014
2027	2,215,000	768,102	480,000	47,750	3,510,852
2028	1,450,000	672,300	475,000	23,750	2,621,050
2029	1,515,000	608,350	--	--	2,123,350
2030	1,580,000	541,525	--	--	2,121,525
2031	1,645,000	474,375	--	--	2,119,375
2032	1,715,000	404,463	--	--	2,119,463
2033	1,790,000	331,575	--	--	2,121,575
2034	1,865,000	255,500	--	--	2,120,500
2035	1,945,000	173,906	--	--	2,118,906
2036	<u>2,030,000</u>	<u>88,813</u>	<u>--</u>	<u>--</u>	<u>2,118,813</u>
Total	<u>\$ 112,498,242</u>	<u>\$ 50,047,488</u>	<u>\$ 13,150,000</u>	<u>\$ 4,955,841</u>	<u>\$ 180,651,751</u>

<sup>(1)</sup> Preliminary, subject to change.

<sup>(2)</sup> Estimated.

Table 16 reflects estimated net tax requirements for debt service of the City's long-term obligations as of June 30, 2008. This table does not include the issuance of the Bonds described herein.

**Table 16**  
**General Obligation Debt**  
**City Net Requirement Analysis**

<u>Fiscal Year June 30</u>	<u>Total General Obligation Debt Service Requirements</u>	<u>Debt Service Paid By Other Business Funds<sup>(1)</sup></u>	<u>Series 2005 Debt Service Allocable to Parking Funds<sup>(2)</sup></u>	<u>Direct City Debt Service Obligations<sup>(3)</sup></u>
2009	\$ 11,179,145	\$ 4,233,957	\$ 1,780,259	\$ 5,164,929
2010	10,956,390	4,140,123	1,783,259	5,033,008
2011	10,158,228	3,916,335	1,783,309	4,458,584
2012	9,938,835	3,828,136	1,782,659	4,328,040
2013	9,446,059	3,687,388	1,776,309	3,982,362
2014	8,890,756	3,548,331	1,781,309	3,561,116
2015	8,707,144	3,458,268	1,780,109	3,468,767
2016	8,530,311	3,370,587	1,781,309	3,378,415
2017	8,345,362	3,282,644	1,781,346	3,281,372
2018	7,569,343	2,605,951	1,780,109	3,183,283
2019	7,491,615	2,626,317	1,779,508	3,085,790
2020	7,141,279	2,370,847	1,782,709	2,987,723
2021	6,840,013	2,171,909	1,779,509	2,888,595
2022	6,374,262	1,945,195	1,780,109	2,648,958
2023	6,235,592	1,905,506	1,779,308	2,550,778
2024	5,273,437	1,543,983	1,777,109	1,952,345
2025	4,382,786	1,296,371	1,782,302	1,304,113
2026	3,016,264	671,424	1,780,640	564,200
2027	2,983,102	659,462	1,781,540	542,100
2028	2,122,300	341,750	1,780,550	--
2029	2,123,350	341,250	1,782,100	--
2030	2,121,525	--	2,121,525	--
2031	2,119,375	--	2,119,375	--
2032	2,119,463	--	2,119,463	--
2033	2,121,575	--	2,121,575	--
2034	2,120,500	--	2,120,500	--
2035	2,118,906	--	2,118,906	--
2036	<u>2,118,813</u>	<u>--</u>	<u>2,118,813</u>	<u>--</u>
Total	<u>\$ 162,545,730</u>	<u>\$ 51,945,734</u>	<u>\$ 52,235,518</u>	<u>\$ 58,364,478</u>

(1) Reflects debt issued by the City of Rockville but paid through the sewer, water, refuse, parking and golf course funds.

(2) Currently, parking fund revenues abate only portion of the Series 2005 debt service payable from parking funds. The remainder of the debt service is paid from general fund revenues.

(3) Portion of debt paid directly by general fund monies.

### ***General Obligation Short-Term Debt***

The City currently has no short-term debt outstanding. The City has not borrowed for cash flow purposes in the last ten years.

## ***Other Commitments***

### **Washington Suburban Sanitary Commission (WSSC)**

The City has contracted with the WSSC to purchase a portion of the capacity of the Blue Plains Wastewater Treatment Plant. Through June 30, 2007, the City had paid approximately \$28,836,758 as its contractual share of the construction costs of the treatment facility and the related sewer transmission lines. The City's remaining contribution through the completion of the project is estimated to be \$13,657,295 for treatment capacity. The City intends to issue bonds to fund most of these costs.

In addition to the capacity cost described above, the WSSC charges the City a portion of its operating costs for treatment of sewage. The City accrues an amount for these charges each year based on its best estimate of usage. Adjustments to the accrued charges which result from subsequent billings by the WSSC are recorded in the period during which the final bill is received by the City.

### **Lease Commitments**

The City entered into a ten year office lease which began on June 1, 2004, and expires on May 31, 2014. Total annual rent is \$94,800, with an annual rent increase of 3% for each year thereafter. The City also entered into a 20 year office lease of the Arts and Innovations Center which began on August 1, 2007, and expires on June 30, 2027. The rental payments for the months beginning August 1, 2007 through July 1, 2008 were abated and the base rent for that year will be allocated over lease years 2009, 2010, and 2011. Monthly payment for this lease will commence on August 1, 2008. The following table presents the annual rental commitments.

**Table 17**  
**Operating Lease Annual Maturity Schedule**

<u>Year</u>	<u>Rent Amount</u>
2009	\$ 143,982
2010	148,052
2011	153,243
2012	148,228
2013	152,674
2014	29,851
2015	30,747
2016	31,669
2017	32,619
2018	33,598
2019	34,606
2020	35,644
2021	36,713
2022	37,814
2023	38,949
2024	40,118
2025	41,321
2026	42,561
2027	<u>43,838</u>
Total	<u>\$ 1,256,277</u>

## ***Capital Improvements Program and Future Financing***

Capital investments involve City projects which normally have long useful lives. Items included within a CIP are usually defined within one of the following six categories:

1. The acquisition of land for a public purpose.
2. The construction of a significant facility, e.g., a building or a road, or the addition to or extension of an existing facility.
3. Nonrecurring rehabilitation or major repair to all or a part of a facility, such as infrequent repairs that are not considered to be recurring maintenance, provided the total cost is more than \$100,000.
4. Any specific planning, engineering study, or design work related to an individual project falling within the three preceding categories.
5. Any long-term project funded through a grant where the establishment of a CIP project is a condition of the grant, regardless of the amount of funding per fiscal year.
6. A significant one-time investment in tangible goods of any nature, the benefit of which will accrue over a multi-year period. Examples include items such as large initial investments in technology improvements or the purchase of a new telephone system over \$100,000.

The recommended CIP includes five years of projected capital needs. The first year of the program becomes the capital budget for which project money will be authorized. The remaining four years of the CIP will serve as a financial plan for capital investments.

From the fiscal year 2009 to the fiscal year 2013 the City anticipates constructing approximately \$59,096,578 of capital improvement projects that will be supported by General Fund Sources.

The following table presents a summary of the City's 2009 through 2013 Capital Financing Plan.

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
<b>Funds Needed for Capital Projects</b>	\$ 15,324	\$ 22,027	\$ 10,779	\$ 11,494	\$ 8,928
<b>Sources of Funds (projected)</b>					
External (other governments or private contributions)	\$ 2,835	\$ 1,539	\$ 593	\$ 89	\$ 35
Bond Issues	--	12,000	--	10,000	--
Pay As You Go	4,453	4,500	4,500	4,500	4,500
Interest	<u>572</u>	<u>356</u>	<u>176</u>	<u>128</u>	<u>108</u>
<b>Total Sources of Funds</b>	<u>\$ 7,860</u>	<u>\$ 18,395</u>	<u>\$ 5,269</u>	<u>\$ 14,717</u>	<u>\$ 4,643</u>
<b>Beginning Cash Balance</b>	<u>18,104</u>	<u>10,640</u>	<u>7,008</u>	<u>1,498</u>	<u>4,721</u>
<b>Ending Cash Balance</b>	<u>\$ 10,640</u>	<u>\$ 7,008</u>	<u>\$ 1,498</u>	<u>\$ 4,721</u>	<u>\$ 436</u>

*(The remainder of this page has been left blank intentionally.)*

### ***Overlapping Debt***

The City of Rockville shares local governing authority with Montgomery County. Montgomery County provides health, welfare, additional social services, mass transit, the public library system, and education within the City. Montgomery County also coordinates most of the fire and volunteer rescue services in the area.

Montgomery County is the only taxing jurisdiction overlapping the City which has the power to issue debt. The County's general obligation debt outstanding as of May 31, 2008 is presented in Table 19.

**Table 19**  
**Overlapping Debt**

	<u>General Obligation Debt</u>	<u>Percentage Applicable to the City</u>	<u>Amount Applicable to the City</u>
Montgomery County	\$ 1,476,758,054	7.25% <sup>(1)</sup>	\$ 107,021,413

<sup>(1)</sup> Based on fiscal year 2007 assessed valuations reported by the State of Maryland Department of Assessments and Taxation.

Source: Montgomery County, Maryland preliminary official statement dated July 10, 2008.

### ***Payment Record***

The City has never defaulted in the payment, when due, of principal or interest on any of its debt obligations nor has the City failed to appropriate funds to pay when due its annual lease obligations.

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## **FINANCIAL INFORMATION**

### ***Financial Reporting Entity***

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) which may or may not fall within the City's oversight and control. The specific factors which are addressed in determining which organizations to include in the entity are delineated below:

Manifestations of Oversight Responsibility  
Selection of Governing Authority  
Designation of Management  
Ability to Significantly Influence Operations

Accountability for Fiscal Matters  
Budgetary Authority  
Responsibility for Debt  
Financial Management  
Revenue Characteristics

Additional factors which may significantly influence the definition of the reporting entity are:

Scope of Public Service  
Special Financing Relationship

The relative importance of each criterion must be evaluated in light of specific circumstances. Although the decision to include or exclude a potential component unit is left to the professional judgment of responsible local officials, a positive response to any of the above criteria requires that the specific reasons for excluding the potential component unit be disclosed. Accordingly, listed below are all organizations for which there is at least one positive response with respect to the above criteria:

1. Included Within the Entity

None. It is important to note, however, that the pension plan, for which the City acts in a trustee capacity, is included in the reporting entity.

2. Excluded from the Entity

Rockville Housing Enterprises. The Board of Directors is appointed by the Mayor and Council of the City of Rockville. Once appointed, however, the directors of Rockville Housing Enterprises operate autonomously, with no authority being exercised over them by the Mayor and Council. Rockville Housing Enterprises is responsible directly to the United States Department of Housing and Urban Development, rather than to any local jurisdiction. No financial interdependency, ability to significantly influence operations or accountability for fiscal matters exists between this entity and the City of Rockville.

### ***Financial Reports***

The City Charter specifies that the financial books and accounts of the City must be audited annually by a certified public accountant. The auditor is required to examine all funds of the City in accordance with generally accepted accounting standards.

The accounts of the City are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets,

liabilities, fund equity, revenue and expenditures (or expenses, as appropriate). Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be expended and the means by which spending activities are controlled. The following fund types are used by the City:

**Governmental Funds** – General Fund, Community Development Block Grant Fund, Special Activities Fund, Speed Camera Fund, Town Center Management District Fund, Debt Service Fund and Capital Projects Fund;

**Proprietary Funds** – Water Facility Fund, Sanitary Sewer Fund, Refuse Fund, Storm Water Management Fund, Parking Fund, and RedGate Golf Course Fund;

**Fiduciary** – Pension Trust Fund.

The modified accrual basis of accounting is followed by the governmental funds, as well as the “financial flow measurement focus.” Under this method of accounting, revenue is recorded when susceptible to accrual, i.e. when measurable and available for the funding of current appropriations.

Copies of the City's audited financial reports for the years ended June 30, 2003 through 2007 and the Fiscal Year 2009 Adopted Operating Budget and Capital Improvements Program are available at the City's website [www.rockvillemd.gov/government/finance.htm](http://www.rockvillemd.gov/government/finance.htm) or upon request from the City. Excerpts from the City's 2007 Comprehensive Annual Financial Report are attached as Exhibit A to this Official Statement.

### ***Budgeting and Accounting***

The City Charter requires the City Manager to submit a budget to the Mayor and Council at least one month before the beginning of each fiscal year. In addition to the operating budget, a five-year capital improvements plan is presented for the Mayor and Council's review. Each department prepares its own budget request for the City Manager's review. The Mayor and Council schedule public hearings and publish advance notices of them. The budget is approved in the form of an appropriations ordinance. During the year, the City Manager has authority to transfer budgeted amounts between departments within any fund, but changes in the total appropriation level for a given fund can only be enacted by the Mayor and Council through a budget amendment ordinance.

The City places continued emphasis on maintenance of an accounting system which provides strong internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. The internal controls in place in the City are subject to continuous review by management officials and the City's external auditors.

### ***Certificate of Achievement***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rockville, Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The City has been awarded the Certificate of Achievement for the past seventeen years. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. See Appendix A for selected excerpts from the City's 2006 comprehensive annual financial report.

The City of Rockville has also earned the Government Finance Officers Association Distinguished Budget Presentation Award for the past fifteen years and in FY 2007 earned the PAFR Award.

## ***General Fund Revenue***

For Fiscal Year 2009, the three largest sources of revenue to the City are the property tax (58.4% of revenues), the City's share of the earned income tax (15.0%) and charges for services (9.57%). The earned income tax is collected by the State of Maryland. Other significant sources of General Fund revenues are the City share of the State gas and motor vehicle tax, Montgomery County's payment for City services for which the County collects taxes, grants and other government revenue, licenses and permits, and interest income.

## ***Historical Results of Operations***

Statements of revenues and expenditures of the operating funds of the City have been compiled from the City's financial reports. They have been organized in such a manner as to facilitate year-to-year comparisons. Appendix A to this Official Statement presents excerpts from the City's Comprehensive Annual Financial Report for the year ended June 30, 2008.

Table 20 below presents the adopted general fund budgets for the 2008 and 2009 fiscal years.

**Table 20**  
**Adopted Fiscal Year 2008**  
**and 2009 General Fund Budgets**

	<u>2008 Adopted</u>	<u>2009 Adopted</u>
<b>Revenue</b>		
Property Taxes	\$ 32,024,080	\$ 33,317,420
Revenue from Other Governments	16,107,699	17,472,259
Licenses and Permits	1,714,500	1,764,500
Charges for Services	5,539,942	5,919,395
Fines and Forfeitures	774,000	824,000
Use of Money and Property	1,073,812	809,676
Other Revenue	<u>1,672,872</u>	<u>1,729,123</u>
<b>Total Revenue</b>	<u><b>\$ 58,906,905</b></u>	<u><b>\$ 61,836,373</b></u>
<b>Expenditures</b>		
Personnel	\$ 35,897,207	\$ 37,380,591
Operating Expenditures	12,751,016	12,580,680
Capital Outlays	709,378	747,308
Other Charges	2,278,410	2,190,170
Contribution to CIP	2,365,002	4,453,695
Debt Service	<u>4,905,892</u>	<u>4,483,929</u>
<b>Total Expenditures</b>	<u><b>\$ 58,906,905</b></u>	<u><b>\$ 61,836,373</b></u>

Table 21 below presents the statements of revenues and expenditures of the City's general fund for the fiscal years ended June 30, 2005 through 2008.

**Table 21**  
**General Fund Statement of Revenues and Expenditures**  
**and Changes in the General Fund**  
**(Years Ended June 30)**

	<u>2008<sup>(1)</sup></u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Revenue</b>				
Property Taxes	\$ 32,187,087	\$ 31,192,975	\$ 28,513,927	\$ 26,229,753
Revenue from Other Governments:				
Income Taxes	10,892,311	9,816,933	9,035,343	7,874,409
Gas and Motor Vehicles	2,927,605	3,264,162	3,097,689	2,497,974
County Tax Duplication Payment	2,228,449	2,228,499	2,131,796	1,698,450
Admissions and Amusement Taxes	1,057,856	911,521	883,793	882,405
Grants and Other Governmental Revenues	1,327,254	1,452,629	1,435,118	1,370,778
Licenses and Permits	1,796,967	2,114,909	1,778,686	1,638,646
Charges for Services	4,565,114	4,652,890	4,586,595	4,262,498
Use of Money and Property	1,736,070	1,883,744	2,106,781	952,387
Fines and Forfeitures	634,907	877,137	799,486	811,771
Other Revenue	<u>1,714,813</u>	<u>1,760,530</u>	<u>1,740,729</u>	<u>1,616,350</u>
<b>Total Revenue</b>	<b><u>\$ 61,068,433</u></b>	<b><u>\$ 60,155,929</u></b>	<b><u>\$ 56,109,943</u></b>	<b><u>\$ 49,835,421</u></b>
<b>Expenditures</b>				
Current Operations:				
General Government	\$12,117,838	\$ 10,884,461	\$ 9,356,447	\$ 8,180,536
Community Development	4,234,565	3,729,444	3,526,755	1,579,939
Community Services <sup>(2)</sup>	--	--	965,965	1,164,978
Public Safety	7,499,887	7,412,885	6,662,819	7,985,542
Public Works	6,134,312	5,862,318	5,253,643	5,315,785
Recreation and Parks	16,917,888	16,270,039	13,786,689	13,348,331
Non-Departmental <sup>(3)</sup>	<u>--</u>	<u>--</u>	<u>2,884,558</u>	<u>2,598,367</u>
<b>Total Expenditures</b>	<b><u>\$ 46,904,490</u></b>	<b><u>\$ 44,159,147</u></b>	<b><u>\$ 42,436,876</u></b>	<b><u>\$ 40,173,478</u></b>
<b>Excess (Deficiency) of</b>				
<b>Revenue Over Expenditure</b>	<b><u>\$ 14,163,943</u></b>	<b><u>\$ 15,996,782</u></b>	<b><u>\$ 13,673,067</u></b>	<b><u>\$ 9,661,943</u></b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers Out	<u>(14,497,392)</u>	<u>(17,280,348)</u>	<u>(11,580,341)</u>	<u>(6,385,421)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$(14,497,392)</u></b>	<b><u>\$(17,280,348)</u></b>	<b><u>\$(11,580,341)</u></b>	<b><u>\$ (6,385,421)</u></b>
<b>Excess (Deficiency) of Revenue and Expenditures</b>				
<b>and Other Financing Sources (Uses)</b>	<b>(333,449)</b>	<b>(1,283,566)</b>	<b>2,092,726</b>	<b>3,276,522</b>
<b>Fund Balance at Beginning of Year</b>	<b><u>\$ 15,666,993</u></b>	<b><u>\$ 16,950,559</u></b>	<b><u>\$ 14,857,833</u></b>	<b><u>\$ 11,581,311</u></b>
<b>Fund Balance at End of Year</b>	<b><u>\$ 15,333,604</u></b>	<b><u>\$ 15,666,993</u></b>	<b><u>\$ 16,950,559</u></b>	<b><u>\$ 14,857,833</u></b>

(1) Unaudited actual information as of July 30, 2008, prior to year-end adjustments and accruals.

(2) Beginning in fiscal year 2007, Community Services was incorporated into Recreation and Parks.

(3) Beginning in fiscal year 2007, non-departmental expenditures were re-categorized into each department.

## **PROPERTY VALUATIONS AND TAXES**

### ***Property Valuation***

The assessment of real and tangible personal property for purposes of property taxation by state and local governmental units is the responsibility of the State Department of Assessment and Taxation. Assessment records and tax rolls are maintained in each county seat and in Baltimore City. One-third of the real property base is physically inspected and revalued once every three years. Any increase in full cash value arising from such reassessment is phased in over the ensuing three taxable years in equal annual installments, although a decline becomes effective the first year. Taxable assessed value is subject to statutory limits and annual increases for taxable assessed valuation are capped at 10% for existing residential property.

Table 22 presents the City's full cash value, assessed value and taxable assessed value as of July 3, 2008.

**Table 22**  
**Full Cash Value and Assessed Value**

	<u>Full Cash Value</u>	<u>Assessed Value</u>	<u>Taxable Assessed Value</u>
Taxable Property	\$ 13,501,546,490	\$ 13,101,069,270	\$ 11,515,302,797
Tax-exempt Property	<u>1,131,607,470</u>	<u>1,099,267,028</u>	<u>--</u>
Total	<u>\$ 14,633,153,960</u>	<u>\$ 14,200,336,298</u>	\$ 11,515,302,797
Less: Value Exceeding Cap Limitation			(1,585,766,473)
Personal Property Assessed Value			<u>607,404,470</u>
Net Total			<u>\$ 10,536,940,794</u>

Table 23 presents the City's taxable assessed value of taxable property for the past five years.

**Table 23**  
**Taxable Assessed Value**

<u>Year Ended June 30</u>	<u>Taxable Assessed Value</u>
2008	\$ 10,536,940,794
2007	9,396,506,804
2006	7,941,275,256
2005	7,595,618,601
2004	6,717,905,829

### ***Property Tax Exemptions***

Exemptions from State and local property taxation include real property owned by Federal, State, County and other governmental units, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind. The State Department of Assessments and Taxation grants exemptions from property taxes, pursuant to State law.

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Table 24 presents the City's assessed value of all taxable property by class for the past five years.

**Table 24**  
**Assessed Value of All Taxable Property by Class**

<u>Year Ended</u> <u>June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Privately Owned</u> <u>Public Utilities</u>	<u>Total</u>
2008				\$ 9,929,536,324
2007	9,008,163,075	266,743,524	121,600,205	9,396,506,804
2006	7,008,816,746	282,505,725	118,952,785	7,941,275,256
2005	7,193,741,551	286,635,530	115,241,520	7,595,618,601
2004	6,312,353,479	294,840,190	110,712,160	6,717,905,829

### ***Property Tax Levies and Collections***

Montgomery County levies real and personal property taxes on all taxable property within its boundaries. Taxes are due in full on July 1 and payable without penalty in equal installments on the following September 30 and December 31. Interest at the rate of 2/3 of 1% per month and penalty of 1% per month are charged on each delinquent installment; new tax bills may be paid within 30 days without interest or penalty. Tax sales are held on the second Monday in June in the fiscal year taxes are due and payable to recover delinquent real property taxes. Legal action may be taken to enforce payment of both real and personal property taxes.

Table 25 presents the tax levy and tax collections for the City of Rockville for each of the past five fiscal years.

**Table 25**  
**Property Tax Levies and Collections**

<u>Year Ended</u> <u>June 30</u>	<u>Total</u> <u>Tax Levy</u>	<u>Current Tax</u> <u>Collections</u>	<u>Percent</u> <u>of Levy</u> <u>Collected</u>	<u>Delinquent</u> <u>Tax Collections</u> <u>and Adjustments</u> <sup>(1)</sup>	<u>Total Tax</u> <u>Collection</u>	<u>Total Collection</u> <u>as Percent of</u> <u>Current Levy</u>
2008 <sup>(2)</sup>	\$ 33,234,662	\$ 32,060,832	96.8%	\$ 126,255	\$ 32,187,087	96.8%
2007	31,124,821	30,670,042	98.5%	534,609	31,204,651	98.2%
2006	28,956,431	28,410,726	98.1%	91,920	28,502,646	98.4%
2005	26,398,958	26,027,181	98.6%	87,464	26,226,753	98.9%
2004	24,315,580	23,325,909	95.9%	61,017	23,386,926	96.2%

<sup>(1)</sup> Collections and adjustments are for all prior years.

<sup>(2)</sup> Information has not yet been audited.

Source: City of Rockville, Maryland Comprehensive Annual Financial Report.

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## ***Tax Rate Valuation***

A single tax rate applies for each fiscal year to the assessed value of the taxable real and personal property. The rate is equal to the ratio of the amount to be raised per \$100 of assessed value. Personal property in Maryland has always been assessed at full value. State law requires that personal property shall be taxed at 2.5 times the real property rate if the personal property tax rate is not specifically set. For the fiscal year 2009, the City's real property is taxed at the rate of \$0.292 per \$100 of assessed valuation and personal property is taxed at the rate of \$0.805 per \$100 of assessed valuation.

Table 26 presents the tax rates for all taxing jurisdictions in the City for the last five fiscal years.

**Table 26**  
**Property Tax Rates<sup>(1)</sup>**  
**Overlapping Governments**

<u>Year Ended</u> <u>June 30</u>	<u>City</u>	<u>State</u>	<u>County<sup>(2)</sup></u>	<u>Total</u>
2008	0.302	0.112	0.812	1.226
2007	0.312	0.112	0.812	1.236
2006	0.322	0.132	0.856	1.310
2005	0.322	0.132	0.902	1.356
2004	0.322	0.132	0.914	1.368

(1) Per \$100 of Assessed Value.

(2) County tax rates include school levies.

## ***Principal Taxpayers***

A list of the 10 principal taxpayers in the City on the 2007 assessment is presented in Table 27.

**Table 27**  
**Principal Taxpayers**

<u>Name</u>	<u>Assessable Base</u>	<u>Percentage of Taxpayer Base to Total Assessable Base</u>
Research Grove Associates	\$ 72,896,331	0.78%
Prentiss Property Research	67,451,569	0.72%
ARE Aquisitons	60,112,478	0.64%
Potomac Electric Power Company	55,943,670	0.60%
Verizon	42,222,365	0.45%
TA/Western, LLC	41,214,569	0.44%
Syn Rock, LLC	40,876,247	0.44%
Transwestern Gateway, LLC	41,213,779	0.44%
Washington Real Estate Investment, LLC.	36,549,474	0.39%
Prime 1801, LLC	<u>35,155,697</u>	<u>0.37%</u>
Total	<u>\$ 493,636,379</u>	<u>5.27%</u>

Source: State of Maryland Department of Assessments and Taxation.

## **FINANCIAL ADVISOR**

The City has retained Public Financial Management, Inc., of Minneapolis, Minnesota, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

Requests for information concerning the City should be addressed to Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402 (612/338-3535, 612/338-7264 fax).

## **RATINGS**

Ratings have been requested from Moody's Investors Service, Inc. and Standard and Poor's for the Bonds. A rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency. The outstanding general obligation debt of the City is currently rated “Aaa” by Moody's and “AAA” by Standard & Poor's.

## **TAX MATTERS**

### ***Federal Income Tax***

In the opinion of Bond Counsel, under existing law, the interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes) and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), there are certain requirements that must be met subsequent to the issuance of the Bonds in order for the interest on the Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the City has made covenants and agreements that are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, these covenants and agreements are sufficient to meet the requirements (to the extent applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with these covenants and agreements. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent

interest on the Bonds from becoming includable in gross income for federal income tax purposes retroactively to the date of issue.

Interest on the Bonds is not included in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment. However, for purposes of computing the corporate alternative minimum tax contained in the Code, a corporation will generally be required to increase its alternative minimum taxable income by 75% of the amount by which its “adjusted current earnings” (a modified definition of “earnings and profits”) exceeds its alternative minimum taxable income (computed without regard to this adjusted current earnings adjustment). For such purpose, “adjusted current earnings” will include, among other items, tax-exempt interest income from the Bonds. Interest income on the Bonds may also be included with the “dividend equivalent amount” for purposes of determining the branch profits tax imposed by the Code on certain foreign corporations conducting a trade or business in the United States.

Other federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder’s tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

The initial public offering price of some of the Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price (plus accrued interest from the dated date of the Bond to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the Bonds was sold constitutes original issue discount (“OID”) for Federal income tax purposes. The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semiannual compounding) which allocates smaller portions of OID to earlier semiannual compounding periods and larger portions of OID to later semiannual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of the Bonds.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from original issue discount on the Bonds. In addition, prospective corporate purchasers of the Bonds should consider possible federal income tax consequences arising from original issue discount on the Bonds under the alternative minimum tax and the branch profits tax described above.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

The Internal Revenue Service (the “Service”) has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for Federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the City as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

Interest paid on tax-exempt obligations after December 1, 2005, is subject to information reporting for federal income tax purposes in a manner similar to interest paid on taxable obligations. This reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequences of purchasing, holding or selling tax-exempt obligations.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete. Prospective purchasers and holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

### ***Maryland State and Local Income Tax***

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Bonds and the profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Bonds and regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

### **CERTIFICATION**

The City will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement made herein, in light of the circumstances under which they were made, not misleading.

### **NO LITIGATION**

There is no litigation now pending or, to the knowledge of City Officials, threatened which questions the validity of the Bonds or of any proceedings of the City taken with respect to the issuance or sale thereof.

## **LEGAL MATTERS**

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Venable LLP, Baltimore, Maryland, Bond Counsel. The form of the approving legal opinion is attached hereto as Appendix B. Bond Counsel has not participated in the preparation of this Official Statement, except for the section entitled "Tax Matters." The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof.

## **MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized.

This Official Statement has been approved by the City for distribution by the Director of Finance to prospective purchasers of the Bonds.

**CITY OF ROCKVILLE, MARYLAND**

By: /s/ Mr. Gavin Cohen  
Director of Finance

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**APPENDIX A**

**Excerpts from the Comprehensive  
Annual Financial Report  
Year Ended June 30, 2007**

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# City of Rockville, Maryland

## Statement of Net Assets June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Equity in pooled cash and cash equivalents	\$ 37,401,430	\$ 19,886,547	\$ 57,287,977
Property tax receivable, net	413,332	-	413,332
Accounts receivables, net	80,585	4,412,067	4,492,652
Due from other governments	4,561,436	-	4,561,436
Assessments receivable	-	9,234	9,234
Other assets	899,004	901,335	1,800,339
Unbilled assessments receivable	1,710,220	51,295	1,761,515
Restricted assets:			
Equity in pooled cash and cash equivalents	-	75,000	75,000
Capital assets (net of accumulated depreciation):			
Land	7,843,832	2,058,940	9,902,772
Construction in progress	78,590,533	21,382,485	99,973,018
Buildings	22,052,280	26,998,168	49,050,448
Improvements other than buildings	3,184,295	35,920,159	39,104,454
Equipment	3,484,052	974,245	4,458,297
Infrastructure	85,100,568	-	85,100,568
Purchase Capacity	-	13,529,157	13,529,157
<b>Total Assets</b>	<b>\$ 245,321,567</b>	<b>\$ 126,198,632</b>	<b>\$ 371,520,199</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	\$ 5,982,010	\$ 2,769,900	\$ 8,751,910
Internal balances	(557,374)	557,374	-
Accrued liabilities	1,811,138	672,645	2,483,783
Unearned revenue	936,697	1,130,563	2,067,260
Retainages payable	1,636,573	935,150	2,571,723
Deposits and other liabilities	1,234,346	11,700	1,246,046
Noncurrent Liabilities:			
Due within one year:			
Compensated absences	2,275,458	441,810	2,717,268
Bonds payable and loan payable	4,033,922	2,918,222	6,952,144
Due in more than one year:			
Compensated absences	841,608	163,410	1,005,018
Bonds payable and loan payable	33,772,114	58,149,155	91,921,269
<b>Total Liabilities</b>	<b>\$ 51,966,492</b>	<b>\$ 67,749,929</b>	<b>\$ 119,716,421</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 154,605,692	\$ 39,490,188	\$ 194,095,880
Unrestricted	38,749,383	18,958,515	57,707,898
<b>Total Net Assets</b>	<b>\$ 193,355,075</b>	<b>\$ 58,448,703</b>	<b>\$ 251,803,778</b>

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Activities June 30, 2007

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 11,183,434	\$ 242,581	\$ -	\$ 60,095	\$ (10,880,758)	\$ -	\$ (10,880,758)
Community development block grant	274,773	-	274,773	-	-	-	-
Community development	3,819,641	2,626,016	-	24,901,136	23,707,511	-	23,707,511
Public safety	7,642,022	963,513	674,788	464,938	(5,538,783)	-	(5,538,783)
Public works	6,540,061	253,014	-	385,672	(5,901,375)	-	(5,901,375)
Recreation and parks	17,685,035	4,420,486	395,946	1,621,452	(11,247,151)	-	(11,247,151)
Interest long-term debt	1,576,441	50,041	-	-	(1,526,400)	-	(1,526,400)
Total governmental activities	<u>\$ 48,721,407</u>	<u>\$ 8,555,651</u>	<u>\$ 1,345,507</u>	<u>\$ 27,433,293</u>	<u>\$ (11,386,956)</u>	<u>\$ -</u>	<u>\$ (11,386,956)</u>
Business-type activities:							
Water	5,393,739	5,185,774	-	-	-	(207,965)	(207,965)
Sewer	4,871,708	6,204,915	-	-	-	1,333,207	1,333,207
Refuse	4,657,308	5,128,169	-	-	-	470,861	470,861
Parking	8,937,779	1,732,712	-	-	-	(7,205,067)	(7,205,067)
Stormwater management	2,673,487	742,847	-	-	-	(1,930,640)	(1,930,640)
Golf course	1,279,976	1,147,648	-	-	-	(132,328)	(132,328)
Total business-type activities	<u>\$ 27,813,997</u>	<u>\$ 20,142,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,671,932)</u>	<u>\$ (7,671,932)</u>
Total primary government	<u>\$ 76,535,404</u>	<u>\$ 28,697,716</u>	<u>\$ 1,345,507</u>	<u>\$ 27,433,293</u>	<u>\$ (11,386,956)</u>	<u>\$ (7,671,932)</u>	<u>\$ (19,058,888)</u>
General revenues:							
Property taxes					\$ 31,136,859	\$ -	\$ 31,136,859
Income taxes					9,816,933	-	9,816,933
Gas and motor vehicle taxes					3,264,162	-	3,264,162
County tax duplication payment					2,228,499	-	2,228,499
Admissions and amusement taxes					911,521	-	911,521
Use of money and property					1,443,093	1,741,055	3,184,148
Other revenue					465,977	-	465,977
Gain on sale of capital assets					-	46,231	46,231
Transfers					1,376,500	(1,376,500)	-
Total general revenues and transfers					<u>\$ 50,643,544</u>	<u>\$ 410,786</u>	<u>\$ 51,054,330</u>
Change in net assets					39,256,588	(7,261,146)	31,995,442
Net assets – as restated July 1 (note 2C)					154,098,487	65,709,849	219,808,336
Net assets – ending					<u>\$ 193,355,075</u>	<u>\$ 58,448,703</u>	<u>\$ 251,803,778</u>

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Balance Sheet Governmental Funds June 30, 2007

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in pooled cash and cash equivalents	\$ 16,130,980	\$ 4,484,231	\$ 16,112,644	\$ 673,575	\$ 37,401,430
Property taxes receivable, net	413,332	-	-	-	413,332
Accounts receivable, net	80,585	-	-	-	80,585
Interfund receivable	710,747	-	-	-	710,747
Due from other governments	1,939,317	-	2,474,328	147,791	4,561,436
Other assets	822,326	49,097	25,370	2,211	899,004
Unbilled assessments receivable	-	1,710,220	-	-	1,710,220
Total assets	<u>\$ 20,097,287</u>	<u>\$ 6,243,548</u>	<u>\$ 18,612,342</u>	<u>\$ 823,577</u>	<u>\$ 45,776,754</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 702,801	\$ 2,768	\$ 5,236,517	\$ 39,924	\$ 5,982,010
Interfund payable	-	-	-	153,373	153,373
Accrued liabilities	1,508,231	-	8,877	6,578	1,523,686
Deferred revenue	413,332	1,710,219	-	-	2,123,551
Unearned revenue	936,697	-	-	-	936,697
Retainages payable	32,987	-	1,603,586	-	1,636,573
Deposits and other liabilities	836,246	384,300	7,500	6,300	1,234,346
Total liabilities	<u>\$ 4,430,294</u>	<u>\$ 2,097,287</u>	<u>\$ 6,856,480</u>	<u>\$ 206,175</u>	<u>\$ 13,590,236</u>
<b>Fund balances</b>					
Reserved for encumbrances	\$ 1,195,197	\$ -	\$ 11,755,862	\$ -	\$ 12,951,059
Reserved for self insurance deposit	261,394	-	-	-	261,394
Reserved for inventory	311,584	-	-	-	311,584
Reserved for advance	250,000	-	-	-	250,000
Reserved for debt service	-	4,146,261	-	-	4,146,261
Unreserved:					
Designated Special Revenue Fund	-	-	-	617,402	617,402
Undesignated	13,648,818	-	-	-	13,648,818
Total fund balance	<u>\$ 15,666,993</u>	<u>\$ 4,146,261</u>	<u>\$ 11,755,862</u>	<u>\$ 617,402</u>	<u>\$ 32,186,518</u>
Total liabilities and fund balance	<u>\$ 20,097,287</u>	<u>\$ 6,243,548</u>	<u>\$ 18,612,342</u>	<u>\$ 823,577</u>	<u>\$ 45,776,754</u>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities June 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$	32,186,518
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	249,440,020	
Accumulated depreciation	<u>(49,184,460)</u>	200,255,560

Deferred revenues are not financial resources in the governmental funds, therefore the liability is eliminated and total net assets are increased	2,123,551
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities as of year-end consist of:

Compensated absences	3,117,066	
General obligation bonds payable and issuance costs	37,806,036	
Accrued interest on the general obligation bonds	<u>287,452</u>	<u>(41,210,554)</u>

Total net assets - governmental activities	<u>\$</u>	<u>193,355,075</u>
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See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds June 30, 2007

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property Taxes	\$ 31,192,975	\$ -	\$ -	\$ -	31,192,975
Assessments	-	350,005	-	-	350,005
Revenue from other governments:					
Community development block grant	-	-	-	274,773	274,773
Income taxes	9,816,933	-	-	-	9,816,933
Gas and motor vehicles taxes	3,264,162	-	-	-	3,264,162
County tax duplication payment	2,228,499	-	-	-	2,228,499
Admission and amusement taxes	911,521	-	-	-	911,521
Grants and other governmental revenue	1,452,629	-	10,593,004	-	12,045,633
Licenses and permits	2,114,909	-	-	-	2,114,909
Charges for services	4,652,890	-	-	-	4,652,890
Use of money and property	1,883,744	201,956	124,702	23,069	2,233,471
Fines and forfeitures	877,137	-	-	-	877,137
Other revenue	1,760,530	-	8,239,816	510,303	10,510,649
Total revenue	<u>\$ 60,155,929</u>	<u>\$ 551,961</u>	<u>\$ 18,957,522</u>	<u>\$ 808,145</u>	<u>\$ 80,473,557</u>
<b>Expenditures</b>					
Current operations:					
General government	\$ 10,884,461	-	-	\$ -	\$ 10,884,461
Community development block grant	-	-	-	274,773	274,773
Community development	3,729,444	-	-	30,643	3,760,087
Public safety	7,412,885	-	-	107,879	7,520,764
Public works	5,862,318	-	-	-	5,862,318
Recreation and parks	16,270,039	-	-	206,600	16,476,639
Capital outlay	-	-	27,157,608	-	27,157,608
Debt service	-	5,657,692	-	-	5,657,692
Total expenditures	<u>\$ 44,159,147</u>	<u>\$ 5,657,692</u>	<u>\$ 27,157,608</u>	<u>\$ 619,895</u>	<u>\$ 77,594,342</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 15,996,782</u>	<u>\$ (5,105,731)</u>	<u>\$ (8,200,086)</u>	<u>\$ 188,250</u>	<u>\$ 2,879,215</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	5,650,800	18,913,277	-	24,564,077
Transfers out	(17,280,348)	-	-	-	(17,280,348)
Total other financing sources (uses)	<u>\$ (17,280,348)</u>	<u>\$ 5,650,800</u>	<u>\$ 18,913,277</u>	<u>\$ -</u>	<u>\$ 7,283,729</u>
Net change in fund balances	\$ (1,283,566)	\$ 545,069	\$ 10,713,191	\$ 188,250	\$ 10,162,944
Fund balances at beginning of year	16,950,559	3,601,192	1,042,671	429,152	22,023,574
Fund balances at end of year	<u>\$ 15,666,993</u>	<u>\$ 4,146,261</u>	<u>\$ 11,755,862</u>	<u>\$ 617,402</u>	<u>\$ 32,186,518</u>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balances-total governmental funds	\$ 10,162,944
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlays of \$27,026,037 exceeded depreciation of \$1,707,236.	25,318,801
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In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by costs of the capital assets disposed of \$317,101 less any accumulated depreciation of \$317,101.

-

Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

4,105,428

Because the deferred revenue will not be collected for several months after the City's fiscal year ends, it is not considered "available" revenue in the governmental funds. Deferred revenue decreased by this amount this year.

(282,827)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick leave earned of \$88,269 exceeded amounts used of \$13,423.

(74,846)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest on the financing agreements.

27,088

Change in net assets of governmental activities

<u>\$ 39,256,588</u>
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See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Net Assets Proprietary Funds June 30, 2007

	Business-Type Activities - Enterprise Funds						Total
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	Business-type Activities
<b>Assets</b>							
<b>Current Assets</b>							
Equity in pooled cash and cash equivalents	\$ 586,287	\$ 2,660,878	\$ 308,150	\$ 7,730,766	\$ 8,600,466	\$ -	\$ 19,886,547
Accounts receivable, net	875,576	1,217,408	1,218,455	998,529	99,680	2,419	4,412,067
Assessments receivable	4,215	5,019	-	-	-	-	9,234
Purchased capacity, current position	-	305,589	-	-	-	-	305,589
Other receivables	4,444	13,844	3,616	847,159	32,272	-	901,335
Total current assets	<u>\$ 1,470,522</u>	<u>\$ 4,202,738</u>	<u>\$ 1,530,221</u>	<u>\$ 9,576,454</u>	<u>\$ 8,732,418</u>	<u>\$ 2,419</u>	<u>\$ 25,514,772</u>
<b>Restricted Assets</b>							
Equity in pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ 75,000
Total restricted assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>
<b>Noncurrent Assets</b>							
Unbilled assessments receivable	25,367	25,928	-	-	-	-	51,295
<b>Capital Assets:</b>							
Utility plant and equip	34,949,722	31,936,474	3,700,657	25,960,300	5,836,770	4,076,813	106,460,736
Construction in progress	5,401,401	15,691,063	-	-	239,484	50,539	21,382,487
Less-accumulated depreciation	(18,420,380)	(15,982,439)	(2,872,117)	(28,452)	(1,743,596)	(1,462,242)	(40,509,226)
Purchased capacity, long-term, net	-	13,223,568	-	-	-	-	13,223,568
Total noncurrent assets	<u>21,956,110</u>	<u>44,894,594</u>	<u>828,540</u>	<u>25,931,848</u>	<u>4,332,658</u>	<u>2,665,110</u>	<u>100,608,860</u>
Total assets	<u>\$ 23,426,632</u>	<u>\$ 49,097,332</u>	<u>\$ 2,358,761</u>	<u>\$ 35,508,302</u>	<u>\$ 13,065,076</u>	<u>\$ 2,667,529</u>	<u>\$ 126,123,632</u>
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Bonds payable within 1yr	\$ 974,681	\$ 1,028,595	\$ 186,338	\$ 650,000	\$ 72,663	\$ 5,945	\$ 2,918,222
Accounts payable	368,962	19,147	162,649	1,746,032	461,693	11,417	2,769,900
Interfund payable	-	-	-	-	-	557,374	557,374
Accrued liabilities	180,529	147,018	123,653	172,512	11,363	37,570	672,645
Compensated absences	141,661	52,431	153,963	3,708	14,821	75,226	441,810
Unearned revenue	-	-	-	1,070,473	-	60,090	1,130,563
Retainages payable	34,374	14,738	-	812,450	69,288	4,300	935,150
Deposits / other liabilities	10,791	909	-	-	-	-	11,700
Total current liabilities	<u>\$ 1,710,998</u>	<u>\$ 1,262,838</u>	<u>\$ 626,603</u>	<u>\$ 4,455,175</u>	<u>\$ 629,828</u>	<u>\$ 751,922</u>	<u>\$ 9,437,364</u>
<b>Noncurrent Liabilities</b>							
Compensated absences	52,395	19,393	56,945	1,372	5,481	27,824	163,410
Bonds payable	9,357,258	12,820,548	198,468	34,166,959	1,235,274	370,648	58,149,155
Total noncurrent liabilities	<u>\$ 9,409,653</u>	<u>\$ 12,839,941</u>	<u>\$ 255,413</u>	<u>\$ 34,168,331</u>	<u>\$ 1,240,755</u>	<u>\$ 398,472</u>	<u>\$ 58,312,565</u>
Total Liabilities	<u>\$ 11,120,651</u>	<u>\$ 14,102,779</u>	<u>\$ 882,016</u>	<u>\$ 38,623,506</u>	<u>\$ 1,870,583</u>	<u>\$ 1,150,394</u>	<u>\$ 67,749,929</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$ 11,598,804	\$ 31,019,523	\$ 443,734	\$ (8,885,111)	\$ 3,024,721	\$ 2,288,517	\$ 39,490,188
Unrestricted	707,177	3,975,030	1,033,011	5,769,907	8,244,772	(771,382)	18,958,515
Total net assets	<u>\$ 12,305,981</u>	<u>\$ 34,994,553</u>	<u>\$ 1,476,745</u>	<u>\$ (3,115,204)</u>	<u>\$ 11,269,493</u>	<u>\$ 1,517,135</u>	<u>\$ 58,448,703</u>

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
<b>Operating Revenue</b>							
Charges for Services	\$ 3,882,565	\$ 5,580,979	\$ 5,126,785	\$ 782,121	\$ 574,858	\$ 1,139,501	\$ 17,086,809
Other Revenue	1,303,209	623,936	1,384	712,553	167,989	8,147	2,817,218
Total operating revenue	<u>\$ 5,185,774</u>	<u>\$ 6,204,915</u>	<u>\$ 5,128,169</u>	<u>\$ 1,494,674</u>	<u>\$ 742,847</u>	<u>\$ 1,147,648</u>	<u>\$ 19,904,027</u>
<b>Operating Expenses</b>							
Treatment and purification	1,749,274	-	-	-	-	-	1,749,274
Distribution	975,175	-	-	-	-	-	975,175
Collection and disposal	-	2,200,526	3,415,081	-	-	-	5,615,607
Customer billing, collection, operating expenses	1,443,528	1,845,479	644,810	320,539	2,536,324	1,141,644	7,932,324
Repairs and maintenance	87,409	91,661	393,999	3,287	742	8,945	586,043
Total operating expenses	<u>\$ 4,255,386</u>	<u>\$ 4,137,666</u>	<u>\$ 4,453,890</u>	<u>\$ 323,826</u>	<u>\$ 2,537,066</u>	<u>\$ 1,150,589</u>	<u>\$ 16,858,423</u>
Operating income (loss) before depreciation / amortization	930,388	2,067,249	674,279	1,170,848	(1,794,219)	(2,941)	3,045,604
Less - depreciation and amortization	(1,138,353)	(734,042)	(203,418)	(13,500)	(136,421)	(129,387)	(2,355,121)
Operating income (loss)	<u>\$ (207,965)</u>	<u>\$ 1,333,207</u>	<u>\$ 470,861</u>	<u>\$ 1,157,348</u>	<u>\$ (1,930,640)</u>	<u>\$ (132,328)</u>	<u>\$ 690,483</u>
<b>Nonoperating Income (Expenses)</b>							
Interest income	213,862	201,815	24,772	866,945	433,661	-	1,741,055
Interest expense	(353,805)	(571,416)	(18,034)	(1,499,601)	-	(12,330)	(2,455,186)
Sale of capital asset	-	-	-	46,231	-	-	46,231
Total nonoperating income	<u>\$ (139,943)</u>	<u>\$ (369,601)</u>	<u>\$ 6,738</u>	<u>\$ (586,425)</u>	<u>\$ 433,661</u>	<u>\$ (12,330)</u>	<u>\$ (667,900)</u>
Income (loss) before transfers	<u>(347,908)</u>	<u>963,606</u>	<u>477,599</u>	<u>570,923</u>	<u>(1,496,979)</u>	<u>(144,658)</u>	<u>22,583</u>
<b>Transfers</b>							
Transfer in from General Fund	-	-	30,000	1,172,224	-	114,500	1,316,724
Transfer out to Capital Projects	-	-	-	(8,600,453)	-	-	(8,600,453)
Increase (decrease) net assets	<u>(347,908)</u>	<u>963,606</u>	<u>507,599</u>	<u>(6,857,306)</u>	<u>(1,496,979)</u>	<u>(30,158)</u>	<u>1,339,307</u>
Net assets as restated July 1 (note 2C)	<u>\$ 12,653,889</u>	<u>\$ 34,030,947</u>	<u>\$ 969,146</u>	<u>\$ 3,742,102</u>	<u>\$ 12,766,472</u>	<u>\$ 1,547,293</u>	<u>\$ 65,709,849</u>
Net assets end of year	<u><u>\$ 12,305,981</u></u>	<u><u>\$ 34,994,553</u></u>	<u><u>\$ 1,476,745</u></u>	<u><u>\$ (3,115,204)</u></u>	<u><u>\$ 11,269,493</u></u>	<u><u>\$ 1,517,135</u></u>	<u><u>\$ 58,448,703</u></u>

See accompanying notes to the basic financial statements.

# City of Rockville, Maryland

## Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
<b>Cash Flows from operating activities:</b>							
Cash received from customers	\$ 5,194,288	\$ 6,200,661	\$ 5,128,115	\$ 1,538,351	\$ 742,849	\$ 1,147,649	\$ 19,951,913
Cash payments to suppliers for goods and services	(2,461,803)	(3,623,750)	(1,916,147)	(1,849,562)	(1,687,274)	(472,589)	(12,011,125)
Cash payments to employees for services	(2,304,174)	(1,153,907)	(2,439,465)	(186,780)	(378,294)	(663,064)	(7,125,684)
Net cash provided by (used in) operating activities	\$ 428,311	\$ 1,423,004	\$ 772,503	\$ (497,991)	\$ (1,322,719)	\$ 11,996	\$ 815,104
<b>Cash Flows from noncapital financing activities:</b>							
Transfer from the General Fund	-	-	30,000	1,172,224	-	114,500	1,316,724
Transfer to the Capital Projects Fund	-	-	-	(8,600,453)	-	-	(8,600,453)
Net cash provided by noncapital financing activities	\$ -	\$ -	\$ 30,000	\$ (7,428,229)	\$ -	\$ 114,500	\$ (7,283,729)
<b>Cash Flows from capital and related financing activities:</b>							
Acquisition and construction of capital assets	\$ (1,390,200)	\$ (2,826,321)	\$ (44,875)	\$ (4,246,302)	\$ -	\$ (140,837)	\$ (8,648,535)
Principal paid on general obligation bond maturities and equipment contracts	(930,763)	(1,030,471)	(184,338)	(620,000)	(73,663)	(5,945)	(2,845,180)
Interest paid on general obligation bonds and equipment contracts	(353,805)	(571,416)	(142,540)	(1,499,601)		(12,330)	(2,579,692)
Proceeds (including interest) from special assessments	36,127	37,005	-	-	-	-	73,132
Net cash (used in) provided by capital and related financing activities	\$ (2,638,641)	\$ (4,391,203)	\$ (371,753)	\$ (6,365,903)	\$ (73,663)	\$ (159,112)	\$ (14,000,275)
<b>Cash Flows from investing activities:</b>							
Interest on investments	\$ 206,357	\$ 197,762	\$ 28,389	\$ 866,945	\$ 579,252	\$ -	\$ 1,878,705
Net (decrease) increase in cash and cash equivalents	\$ (2,003,973)	\$ (2,770,437)	\$ 459,139	\$ (13,425,178)	\$ (817,130)	\$ (32,616)	\$ (18,590,195)
Cash and cash equivalents at the beginning of year	2,590,260	5,431,315	(150,989)	21,155,944	9,492,596	-	38,519,126
Cash and cash equivalents at the end of year	\$ 586,287	\$ 2,660,878	\$ 308,150	\$ 7,730,766	\$ 8,675,466	\$ -	\$ 19,961,547

(Continued)

# City of Rockville, Maryland

## Statement of Cash Flows (continued) Proprietary Funds For the Year Ended June 30, 2006

### Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

	Business-Type Activities - Enterprise Funds						Total Business-type Activities
	Water Facility Fund	Sanitary Sewer Fund	Refuse Fund	Parking Fund	Stormwater Mgmt. Fund	RedGate Golf Course Fund	
<b>Operating (loss) income</b>	<u>\$ (207,965)</u>	<u>\$ 1,333,207</u>	<u>\$ 470,861</u>	<u>\$ 1,157,348</u>	<u>\$ (1,930,640)</u>	<u>\$ (132,328)</u>	<u>\$ 690,483</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>							
Depreciation and amortization	1,138,353	734,042	203,418	13,500	136,421	129,387	2,355,121
Changes in assets and liabilities:							
(Increase) decrease in interfund payable	\$ -	\$ -	\$ 150,989	\$ -	\$ -	\$ (8,299)	\$ 142,690
(Increase) decrease in accounts receivable	\$ 26,884	\$ (181,406)	\$ (124,325)	\$ (132,626)	\$ 293,490	\$ (478)	\$ (118,461)
Increase (decrease) in accounts payable	(227,794)	(444,645)	57,400	716,972	206,859	418	309,210
Increase (decrease) in accrued liabilities	(8,077)	(1,641)	14,160	918	1,853	3,255	10,468
Increase (decrease) in deferred revenue	-	-	-	(1,677,127)	-	20,041	(1,657,086)
Increase (decrease) in retainages payable	(242,035)	(16,553)	-	(576,976)	(30,702)	-	(866,266)
Increase in deposits and other liabilities	(51,055)	-	-	-	-	-	(51,055)
Total adjustments	<u>\$ 636,276</u>	<u>\$ 89,797</u>	<u>\$ 301,642</u>	<u>\$ (1,655,339)</u>	<u>\$ 607,921</u>	<u>\$ 144,324</u>	<u>\$ 124,621</u>
Net cash provided (used) by operating activities	<u>\$ 428,311</u>	<u>\$ 1,423,004</u>	<u>\$ 772,503</u>	<u>\$ (497,991)</u>	<u>\$ (1,322,719)</u>	<u>\$ 11,996</u>	<u>\$ 815,104</u>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Statement of Fiduciary Net Assets Pension Trust Funds June 30, 2007

	<u>Total Pension Trust Funds</u>
<b>Assets</b>	
Open End Mutual Funds:	
Bonds	\$19,140,124
Equities	57,384,889
Fixed Income	<u>4,148,016</u>
Total	<u><u>\$80,673,029</u></u>
<b>Liabilities</b>	<u><u>\$ -</u></u>
<b><u>Net Assets</u></b>	
Held in trust for pension benefits	<u><u>\$80,673,029</u></u>

See accompanying notes to the basic financial statements.

## City of Rockville, Maryland

### Statement of Changes in Fiduciary Net Assets Pension Trust Funds For the Year Ended June 30, 2007

	<u>Total Pension Trust Funds</u>
<b>Additions</b>	
Contributions	
Employer	\$ 2,026,073
Plan Members	<u>1,684,170</u>
Total Contributions	<u>\$ 3,710,243</u>
Investment Income	
Net appreciation in the fair value of plan investments	11,077,909
Interest and dividends	<u>33,990</u>
Total investment income	<u>11,111,899</u>
Total Additions	<u>\$14,822,142</u>
<b>Deductions</b>	
Benefits	\$ 2,380,597
Refunds to terminated employees	295,380
Administrative expense	<u>31,289</u>
Total Deductions	<u>\$ 2,707,266</u>
Net Increase	\$12,114,876
Net assets - beginning	<u>68,558,153</u>
Net assets - ending	<u><u>\$80,673,029</u></u>

See accompanying notes to the basic financial statements.

# **City of Rockville, Maryland**

## **Notes to the Basic Financial Statements June 30, 2007**

### **(1) Summary of Significant Accounting Policies**

#### **A. Financial Reporting Entity**

The City of Rockville (the "City"), was incorporated in 1860. Its legal authority is derived from Article XI E of the State Constitution and Article 23A of the Annotated Code of Maryland. Rockville has an estimated population of 61,030 and a land area of 13.50 square miles. According to the 2000 census, Rockville is the third largest city in Maryland. The City has operated under the council-manager form of government since 1948. The City is a municipal corporation where the City Council is comprised of a mayor and four at-large council members. Services provided include water, sewer, refuse, parking, streets and drainage, recreation and parks, police, planning and zoning, community development, and community services. Schools, libraries, social services, and fire protection are provided by Montgomery County, Maryland.

For financial reporting purposes, the government-wide financial statements include the various departments governed directly by the Mayor and Council. The City's officials are also responsible for appointing the board of directors of the Rockville Housing Authority, but the City's accountability does not extend beyond making the appointments.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the primary government. Mostly all the effects of interfund activities have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely significantly on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns on the fund financial statements.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are deemed collectible within the current period or soon thereafter to pay the liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

## City of Rockville, Maryland

Notes to the Basic Financial Statements  
June 30, 2007

### (1) Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The government reports the following major proprietary funds:

The City operates six major types of enterprise funds: The Water Facility Fund, the Sanitary Sewer Fund, the Refuse Fund, the Parking Fund, the Stormwater Management Fund, and the Red Gate Golf Course Fund. These funds account for the provision of water and sewer services, parking meter program, and operation of the parking garages in the City's Town Center and storm water detention/retention facilities to residents within the City's service area. The Refuse Fund and RedGate Golf Course Fund do not meet the requirements of a major fund, however management has elected to report these funds as major. The Refuse Fund accounts for trash collections and recycling. The RedGate Golf Course fund accounts for the operating and capital costs for the City's golf course facility.

Additionally, the government reports the following fund types:

The City's pension trust funds accounts for the contributions made by the City and its employees to finance future pension payments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements but interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

## City of Rockville, Maryland

### Notes to the Basic Financial Statements June 30, 2007

#### (1) Summary of Significant Accounting Policies (Continued)

##### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, refuse, and stormwater management funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to first use restricted resources, then unrestricted resources as they are needed.

##### **D. Assets, Liabilities, and Net Assets or Equity**

###### ***1. Deposits and Investments***

To facilitate effective management of the City's resources, substantially all operating cash is combined in one pooled account. The pension trust fund assets are separately managed by the Principal Financial Group. The pension trust fund investments are stated at fair value. Short-term investments of one year or less which are included in the City's equity in pooled cash and cash equivalents are stated at amortized cost plus accrued interest. These short-term investments include mutual funds and U.S. Treasury securities.

For purposes of the statement of cash flows, the proprietary fund type reflects all monies in the City's cash management pool as cash equivalents.

Interest income earned on City investments is allocated among the funds each month on a pro rata basis in accordance with average equity in pooled cash balances for the previous six months.

###### ***2. Property Taxes***

Taxes on real property and business personal property are levied on property values as assessed on January 1, billed on July 1, and payable either by September 30 or in two equal installments on September 30 and December 31. Montgomery County bills and collects property taxes for the City and remits the cash collections once a month. Property taxes are attached as an enforceable lien on the underlying properties as of the succeeding June 1 and are thereafter, sold at public auction if deemed delinquent.

Real and personal property taxes are levied at rates enacted by the Mayor and Council in the annual budget ordinance on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rate of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public hearings.

The real property tax rate was \$0.312 per \$100 of assessed value and the personal property tax rate was \$.805 per \$100 of assessed value in fiscal year 2007. The City charges taxpayers interest (at the rate of 2/3 of 1 percent per month) and penalty (1 percent per month) on all overdue taxes.

###### ***3. Inventories and Prepaid Items***

All City inventories (included in other assets in the combined balance sheet) are maintained on a consumption basis of

## City of Rockville, Maryland

### Notes to the Basic Financial Statements June 30, 2007

#### (1) Summary of Significant Accounting Policies (Continued)

##### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 3. Inventories and Prepaid Items (Continued)

accounting and are valued at cost on a first-in, first-out basis and consist of either goods held for resale or goods and materials used in providing services. Reservations of fund balance for the amounts of general fund inventories have been made to reflect the non-availability of those amounts for appropriation in the general fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### 4. Restricted Net Assets

The debt service fund is used to segregate resources accumulated for debt service payments for future years.

##### 5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The capitalization threshold for infrastructure items is \$25,000. GASB 34 requires prospective reporting of all infrastructure assets acquired after June 30, 2002. It has also required that all infrastructure assets that were acquired after June 30, 1980 be reported for fiscal years beginning after June 15, 2006. The City is in compliance with this requirement and has previously capitalized infrastructure assets acquired after June 30, 2002. Information for Infrastructure assets acquired after June 30, 1980 but prior to July 1, 2002 were collected during the current fiscal year and are included in the statement of net assets for fiscal year 2007.

Property, plant, and equipment of the primary government are depreciated over their useful lives using the straight line depreciation in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The following are estimated useful lives:

Description	Lives (In Years)
Buildings	40 - 50
Equipment	5 - 10
Furniture and fixtures	7 - 10
Automobiles and trucks	5 - 7
Water and sewer infrastructure	20 - 50
Stormwater management facilities	20 - 50

##### 6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused annual and sick leave benefits. All annual leave and sick leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

## City of Rockville, Maryland

### Notes to the Basic Financial Statements June 30, 2007

#### (1) Summary of Significant Accounting Policies (Continued)

##### D. Assets, Liabilities, and Net Assets or Equity (Continued)

###### **7. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

###### **8. Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as “due to/from other funds” or “advances to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

###### **9. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances are not legally required segregations, but rather represent the intent of the City's administration to use fund balances for specific purposes in the future.

Encumbrances related to grant-funded contracts may cause a deficit in the undesignated fund balance in some funds. This results from a timing difference between the recording of the original encumbrance of the contract and the recognition of the grant revenue when it is measurable and available.

###### **10. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

When an expense is incurred for which both restricted and unrestricted net assets are available, the City will first apply restricted resources when an expense is incurred.

## City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

### (2) Detailed Notes On All Funds

#### A. Equity in Pooled Cash and Cash Equivalents

The City maintains cash and investment pool that is available for use by all of the City's funds, except the pension trust fund.

The City is restricted by State law to invest in any federally insured bank in the State of Maryland, federally insured savings and loan association in the State of Maryland, or in the local government investment pool. The City primarily invests in the STI Classic Money Market Fund.

As of June 30, 2007 the City had the following deposits and investments included as equity in pooled cash and cash equivalents in the Statement of Net Assets and the Statement of Fiduciary Net Assets:

Investment Type	Fair Value
Deposits	\$ 328,148
Money Market Funds	49,248,589
Federal Agency Discount Notes	7,786,240
	<hr/>
	\$ 57,362,977
Open End Mutual Funds	80,673,029
Total Fair Market Value of Investments	<hr/> <hr/>
	\$ 138,036,006

#### Deposits:

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Maryland State Law prescribes that local government units, such as the City, must deposit its cash in banks which transact business in the State of Maryland. Such banks must also, secure any deposits in excess of the Federal Depository Insurance Corporation insurance levels with collateral whose market value is at the least equal to the deposits. As of June 30, 2007, all the City's deposits were either covered by federal depository insurance or covered by collateral held in the pledging banks trust department in the City's name.

#### Investments:

**Credit Risk:** The Mayor and Council of Rockville recognize that their authority to invest the public funds of the City derives from Section 6-222 of the State of Maryland's Finance and Procurement Article, as well as Article 95, Section 22-22N of the Annotated Code of Maryland. The Money Market Funds are rated "AAA" by Standard and Poor's and all Federal Agency securities have the highest rating. All City investments must receive one of the highest ratings from at least one of the national recognized statistical organizations, except for obligations which are backed by full credit of the US Government, are obligations of federal agency, or instrumentality that has been issued in accordance with acts of congress and unrated.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all authorized investments have a maximum allowable maturity of two years from the date of purchase as stated in section XII of the City's investment policy. The money market funds and open-end mutual funds are highly liquid with no fixed maturity and therefore do not expose the City to interest rate risk.

**Custodial Credit Risk:** Custodial credit risk for investments is the risk that in the event of failure of a depository financial institution or counterparty to a transaction, the City will not recover the value of deposits, investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial credit risk at June 30, 2007.

# City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

## (2) Detailed Notes On All Funds (Continued)

### B. Receivables

Receivables as of year end for all the government's individual funds are as follows:

Receivables	General	Debt Service	Capital Projects	Other Governmental Funds					Refuse	Parking	Stormwater Management	Golf Course	Total
Billed / Unbilled Utilities	-	-	-	-	-	-	-	-	1,218,455	998,529	99,680	2,419	\$ 4,412,067
Property Taxes	413,332	-	-	-	-	-	-	-	-	-	-	-	\$ 413,332
Assessments Receivable	-	-	-	-	-	-	-	-	-	-	-	-	\$ 9,234
Accounts Receivable	80,585	-	-	-	-	-	-	-	-	-	-	-	\$ 80,585
Interfund Receivable	710,747	-	-	-	-	-	-	-	-	-	-	-	\$ 710,747
Due from Other Governments	1,939,317	-	2,474,328	-	147,791	-	-	-	-	-	-	-	\$ 4,561,436
Other Receivables	822,326	49,097	25,370	2,211	4,444	13,844	3,616	847,159	32,272	-	-	-	\$ 1,800,339
Unbilled Assessments Receivable	-	1,710,220	-	-	-	-	-	-	-	-	-	-	\$ 1,710,220

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts to \$2,152,526 at June 30, 2007, and is composed of the following:

General Fund property taxes receivable	\$ 2,124,371
Enterprise Funds utility bills receivable	28,155
	<u>\$ 2,152,526</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 413,332	\$ -
Special assessments not yet due (Debt Service Fund)	1,710,219	-
Pending Allocation-Utility Receipts	-	909
Recreation services not earned (General Fund)	-	936,697
Total deferred/unearned revenue for governmental funds	<u>\$ 2,123,551</u>	<u>\$ 937,606</u>

# City of Rockville, Maryland

## Notes to Basic Financial Statements June 30, 2007

### (2) Detailed Notes On All Funds (Continued)

#### C. Capital Assets

In conjunction with GASB 34, the City deferred recording infrastructure assets acquired prior to July 1, 2002 until the current fiscal year. The below beginning balances have been restated to reflect this action. The effect change was an increase in capital assets governmental activities of \$114,356,451 and accumulated depreciation of \$32,423,731, and capital assets business-type activities of \$11,605,339 and accumulated depreciation of \$3,249,492. Capital asset activity for the year ended June 30, 2007 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 7,843,832	\$ -	\$ -	\$ -	\$ 7,843,832
Construction in progress	67,079,336	26,176,344	-	(14,665,147)	78,590,533
Total capital assets, not being depreciated	<u>\$ 74,923,168</u>	<u>\$ 26,176,344</u>	<u>\$ -</u>	<u>\$ (14,665,147)</u>	<u>\$ 86,434,365</u>
Capital assets, being depreciated:					
Buildings	16,763,520	-	-	12,939,063	29,702,583
Improvements other than buildings	5,100,181	-	-	156,413	5,256,594
Equipment	9,548,601	849,693	(317,101)	213,401	10,294,594
Infrastructure	116,395,614	-	-	1,356,270	117,751,884
Total capital assets being depreciated	<u>\$ 147,807,916</u>	<u>\$ 849,693</u>	<u>\$ (317,101)</u>	<u>\$ 14,665,147</u>	<u>\$ 163,005,655</u>
Less accumulated depreciation for:					
Buildings	(7,273,137)	(377,166)	-	-	(7,650,303)
Improvements other than buildings	(1,917,655)	(154,644)	-	-	(2,072,299)
Equipment	(6,065,895)	(1,061,748)	317,101	-	(6,810,542)
Infrastructure	(32,537,638)	(113,678)	-	-	(32,651,316)
Total accumulated depreciation	<u>\$ (47,794,325)</u>	<u>\$ (1,707,236)</u>	<u>\$ 317,101</u>	<u>\$ -</u>	<u>\$ (49,184,460)</u>
Total capital assets, being depreciated, net	<u>100,013,591</u>	<u>(857,543)</u>	<u>-</u>	<u>14,665,147</u>	<u>113,821,195</u>
Governmental activities capital assets, net	<u><u>\$ 174,936,759</u></u>	<u><u>\$ 25,318,801</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 200,255,560</u></u>
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,058,940	\$ -	\$ -	\$ -	\$ 2,058,940
Construction in progress	38,850,349	9,423,028	-	(26,890,892)	21,382,485
Total capital assets, not being depreciated	<u>\$ 40,909,289</u>	<u>\$ 9,423,028</u>	<u>\$ -</u>	<u>\$ (26,890,892)</u>	<u>\$ 23,441,425</u>
Capital assets, being depreciated:					
Buildings	4,447,888	-	-	25,910,220	30,358,108
Improvements other than buildings	67,210,491	-	-	980,672	68,191,163
Equipment	5,686,712	273,346	(107,531)	-	5,852,527
Purchased capacity	15,279,453	-	-	-	15,279,453
Total capital assets being depreciated	<u>\$ 92,624,544</u>	<u>\$ 273,346</u>	<u>\$ (107,531)</u>	<u>\$ 26,890,892</u>	<u>\$ 119,681,251</u>
Less accumulated depreciation for:					
Buildings	(3,229,642)	(130,298)	-	-	(3,359,940)
Improvements other than buildings	(30,726,693)	(1,544,311)	-	-	(32,271,004)
Equipment	(4,644,463)	(341,350)	107,531	-	(4,878,282)
Purchased capacity	(1,444,707)	(305,589)	-	-	(1,750,296)
Total accumulated depreciation	<u>\$ (40,045,505)</u>	<u>\$ (2,321,548)</u>	<u>\$ 107,531</u>	<u>\$ -</u>	<u>\$ (42,259,522)</u>
Total capital assets, being depreciated, net	<u>52,579,039</u>	<u>(2,048,202)</u>	<u>-</u>	<u>26,890,892</u>	<u>77,421,729</u>
Business-type activities capital assets, net	<u><u>\$ 93,488,328</u></u>	<u><u>\$ 7,374,826</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,863,154</u></u>

## City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

### (2) Detailed Notes On All Funds (Continued)

#### C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 406,512
Community Development	17,661
Public Safety	133,481
Public Works	568,452
Recreation and Parks	581,130
Total depreciation expense - governmental activities	<u>\$ 1,707,236</u>
Business-Type Activities:	
Water	\$ 1,129,203
Sewer	716,818
Refuse	202,533
Parking	7,262
Stormwater Management	136,421
Golf Course	129,311
Total depreciation expense - business-type activities	<u>\$ 2,321,548</u>

#### D. Interfund Receivables, Payables and Transfers

The governmental interfund receivable as of June 30, 2007 consists of the following:

	Interfund Receivable - General Fund Total
Governmental Fund:	
Community Development Block Grant Fund	\$ 58,976
Town Center Management District	30,643
Automated Speed Enforcement Fund	63,754
Proprietary Fund:	
RedGate Golf Course Fund	557,374
Total	<u>\$ 710,747</u>

The interfund payables from various funds represent cash overdrafts that are payable to the General Fund within one year.

Interfund transfers for the year ended June 30, 2007 consisted of the following:

	Transfer From:
Transfer To:	General
Capital Project Fund	\$ 10,312,824
Debt Service Fund	5,650,800
Golf Course Fund	114,500
Refuse Fund	30,000
Parking Fund	1,172,224
	<u>\$ 17,280,348</u>

Transfer from the General Fund to the Capital Projects Fund represents the City's budgeted pay-as-you-go funding.

## City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

### (2) Detailed Notes On All Funds (Continued)

#### D. Interfund Receivables, Payables and Transfers (Continued)

Transfer from the General Fund to the Refuse Fund represents furnishing refuse pickup for Rockville Housing Enterprises.

Transfer from the General Fund to the Debt Service Fund represents resources to pay off general obligation bonds.

Transfer from the General Fund to the Parking Fund represents resources to pay off general obligation bonds.

#### E. Long-Term Debt

##### General Obligation Bonds, Bond Anticipation Notes and Loan Payable

General Obligation Bonds of approximately \$21 million will be issued in September 2007. These general obligation bonds will be issued for governmental and business-type activities.

General obligation bonds are direct city obligations against which the full faith and credit of the government is pledged. These bonds generally are issued as 20-30 year serial bonds with equal amounts of principal maturing each year. General obligation bonds and loan payable currently outstanding are as follows:

	Year of Issuance	Outstanding Principal	Interest Rate Range	Year of Final Maturity
Governmental Activities				
General Improvements	1998	\$ 880,000	3.50 - 4.30%	2013
General Improvements	2002	1,858,427	4.00 - 4.65%	2021
General Improvements	2003	8,107,196	2.00 - 3.85%	2023
General Improvements - Refunding	2003	3,709,227	2.00 - 3.00%	2013
General Improvements	2004	9,690,000	4.00 - 5.00%	2029
Loan Payable	2005	431,186	2.00%	2012
General Improvements	2005	13,130,000	3.50 - 6.00%	2025
Total Governmental Activities		\$ 37,806,036		
Business-Type Activities				
General Improvements	1999	\$ 1,881,946	3.21%	2019
General Improvements	2000	1,453,757	3.64%	2020
General Improvements	2002	2,935,741	1.90%	2023
General Improvements	2002	2,411,573	4.00 - 4.65%	2021
General Improvements	2003	2,607,803	2.00 - 3.875%	2023
General Improvements - Refunding	2003	1,515,773	2.00 - 3.00%	2013
General Improvements	2004	7,015,000	4.00 - 5.00%	2029
General Improvements	2005	1,307,937	0.00%	2025
General Improvements	2005	40,105,000	3.50 - 6.00%	2036
Total Business-Type Activities		\$ 61,234,530		

The City anticipates that all amounts required for payment of interest and principal on business-type activities debt will be provided from the respective fund's revenues; however, the bonds are further secured by the full faith and credit and unlimited taxing power of the City.

Note: Principal amounts do not include unamortized bond discount of \$167,153 for Business – type activities.

# City of Rockville, Maryland

## Notes to Basic Financial Statements June 30, 2007

### (2) Detailed Notes On All Funds (Continued)

#### E. Long-Term Debt (Continued)

City's long-term debt for Governmental Activities are payable during future years as follows:

Governmental Activities			
Fiscal Year Ending June 30,	Principal	Interest	Total Principal and Interest
2008	4,033,922	1,411,970	5,445,892
2009	2,942,981	1,297,448	4,240,429
2010	2,939,031	1,190,477	4,129,508
2011	2,487,298	1,093,786	3,581,084
2012	2,462,120	1,009,220	3,471,340
2013	2,222,536	923,926	3,146,462
2014	1,905,061	840,955	2,746,016
2015	1,905,061	769,406	2,674,467
2016	1,905,061	699,854	2,604,915
2017	1,905,061	623,611	2,528,672
2018	1,905,061	546,322	2,451,383
2019	1,905,061	469,629	2,374,690
2020	1,905,061	392,362	2,297,423
2021	1,905,140	313,955	2,219,095
2022	1,765,678	234,580	2,000,258
2023	1,761,903	160,975	1,922,878
2024	1,260,000	85,425	1,345,425
2025	690,000	28,463	718,463
Total	\$ 37,806,036	\$ 12,092,364	\$ 49,898,400

# City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

## (2) Detailed Notes On All Funds (Continued) E. Long-Term Debt (Continued)

City's long-term debt for business type activities are payable during future years as follows:

Fiscal Year Ending June 30,	Water Facility				Sanitary Sewer				Refuse				Parking				RedGate Golf Course				Stormwater Management				Total Principal and Interest			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	974,681	341,895	1,028,595	538,672	186,338	13,768	650,000	1,468,887	5,945	12,246	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	5,293,690	-	5,293,690	-
2009	735,668	316,526	928,825	506,747	30,000	8,320	675,000	1,445,461	24,804	12,116	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,756,130	-	4,756,130	-
2010	739,339	293,476	926,554	470,874	30,000	6,400	710,000	1,413,061	24,803	11,526	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,698,696	-	4,698,696	-
2011	656,866	272,487	873,565	439,294	30,000	5,300	735,000	1,387,511	24,803	10,869	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,508,358	-	4,508,358	-
2012	662,027	252,566	866,752	408,673	30,000	4,200	760,000	1,361,061	24,803	10,162	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,452,907	-	4,452,907	-
2013	642,561	232,457	832,687	377,808	30,000	3,100	785,000	1,333,711	24,804	9,418	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,344,209	-	4,344,209	-
2014	624,834	212,110	800,135	345,921	30,000	1,900	820,000	1,302,312	24,803	8,674	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,243,352	-	4,243,352	-
2015	637,289	192,456	800,136	314,800	20,000	700	850,000	1,269,512	24,803	7,930	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,190,289	-	4,190,289	-
2016	650,117	173,327	800,136	284,906	-	-	885,000	1,238,699	24,804	7,156	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,136,808	-	4,136,808	-
2017	663,332	146,664	800,136	251,868	-	-	920,000	1,201,086	24,804	6,349	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	4,086,902	-	4,086,902	-
2018	602,863	115,356	795,135	218,553	-	-	960,000	1,161,894	24,803	5,505	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	3,956,772	-	3,956,772	-
2019	685,964	96,853	795,136	185,967	-	-	1,000,000	1,122,714	24,803	4,637	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	3,988,737	-	3,988,737	-
2020	508,966	68,307	795,135	153,156	-	-	1,040,000	1,081,894	24,803	3,744	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	3,748,668	-	3,748,668	-
2021	375,350	48,487	795,370	119,985	-	-	1,080,000	1,039,244	24,804	2,827	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	3,558,730	-	3,558,730	-
2022	379,157	40,535	619,518	86,575	-	-	1,125,000	994,669	24,803	1,896	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	72,663	-	3,344,816	-	3,344,816	-
2023	383,058	32,566	618,478	61,129	-	-	1,175,000	948,059	24,618	954	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	3,316,526	-	3,316,526	-
2024	244,080	14,438	480,000	35,213	-	-	1,220,000	898,609	-	-	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	2,965,004	-	2,965,004	-
2025	175,000	7,219	345,000	14,231	-	-	1,275,000	846,053	-	-	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	72,664	-	2,735,167	-	2,735,167	-
2026	-	-	-	-	-	-	1,330,000	791,140	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,121,140	-	2,121,140	-
2027	-	-	-	-	-	-	1,390,000	733,040	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,123,040	-	2,123,040	-
2028	-	-	-	-	-	-	1,450,000	672,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,122,300	-	2,122,300	-
2029	-	-	-	-	-	-	1,515,000	608,350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,123,350	-	2,123,350	-
2030	-	-	-	-	-	-	1,580,000	541,525	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,121,525	-	2,121,525	-
2031	-	-	-	-	-	-	1,645,000	474,375	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,119,375	-	2,119,375	-
2032	-	-	-	-	-	-	1,715,000	404,463	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,119,463	-	2,119,463	-
2033	-	-	-	-	-	-	1,790,000	331,575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,121,575	-	2,121,575	-
2034	-	-	-	-	-	-	1,865,000	255,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,120,500	-	2,120,500	-
2035	-	-	-	-	-	-	1,945,000	173,906	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,118,906	-	2,118,906	-
2036	-	-	-	-	-	-	2,030,000	88,813	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,118,813	-	2,118,813	-
Total	\$10,341,152	\$ 2,857,725	\$13,901,293	\$ 4,814,372	\$ 386,338	\$ 43,688	\$34,920,000	\$26,589,424	\$ 377,810	\$ 116,009	\$ 1,307,937	\$ -	\$ 1,307,937	\$ -	\$ 1,307,937	\$ -	\$ 1,307,937	\$ -	\$ 1,307,937	\$ -	\$ 1,307,937	\$ -	\$ 1,307,937	\$ -	\$ 95,655,748	\$ -	\$ 95,655,748	\$ -

Note: Principal amounts do not include unamortized bond discount of \$167,153 for business-type activities.

# City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

## (2) Detailed Notes On All Funds (Continued) E. Long-Term Debt (Continued)

The requirements to long-term debt are summarized as follows:

Governmental Activities			
Fiscal Year Ending June 30,	Principal and Interest		Total Principal and Interest
	Principal	Interest	
2008	4,033,922	1,411,970	5,445,892
2009	2,942,981	1,297,448	4,240,429
2010	2,939,031	1,190,477	4,129,508
2011	2,487,298	1,093,786	3,581,084
2012	2,462,120	1,009,220	3,471,340
2013 - 2017	9,842,780	3,857,752	13,700,532
2018 - 2022	9,386,001	1,956,848	11,342,849
2023 - 2027	3,711,903	274,863	3,986,766
Total	\$ 37,806,036	\$ 12,092,364	\$ 49,898,400

### Business-Type Activities

Fiscal Year Ending June 30,	Water Facility		Sanitary Sewer		Refuse		Parking		Golf Course		Stormwater Management		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	974,681	341,895	1,028,595	538,672	186,338	13,768	650,000	1,468,887	5,945	12,246	72,663	-	5,293,690	-
2009	735,668	316,526	928,825	506,747	30,000	8,320	675,000	1,445,461	24,804	12,116	72,663	-	4,756,130	-
2010	739,339	293,476	926,554	470,874	30,000	6,400	710,000	1,413,061	24,803	11,526	72,663	-	4,698,696	-
2011	656,866	272,487	873,565	439,294	30,000	5,300	735,000	1,387,511	24,803	10,869	72,663	-	4,508,358	-
2012	662,027	252,566	866,752	408,673	30,000	4,200	760,000	1,361,061	24,803	10,162	72,663	-	4,452,907	-
2013 - 2017	3,218,133	957,014	4,033,230	1,575,303	80,000	5,700	4,260,000	6,345,320	124,018	39,527	363,315	-	21,001,560	-
2018 - 2022	2,552,300	369,538	3,800,294	764,236	-	-	5,205,000	5,400,415	124,016	18,609	363,315	-	18,597,723	-
2023 - 2027	802,138	54,223	1,443,478	110,573	-	-	6,390,000	4,216,901	24,618	954	217,992	-	13,260,877	-
2028 - 2032	-	-	-	-	-	-	7,905,000	2,701,013	-	-	-	-	10,606,013	-
2033 - 2037	-	-	-	-	-	-	7,630,000	849,794	-	-	-	-	8,479,794	-
Total	\$ 10,341,152	\$ 2,857,725	\$ 13,901,293	\$ 4,814,372	\$ 386,338	\$ 43,688	\$ 34,920,000	\$ 26,589,424	\$ 377,810	\$ 116,009	\$ 1,307,937	\$ -	\$ 95,655,748	\$ -

Note: Principal amounts do not include unamortized bond discount of \$167,153 for business-type activities.

# City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

## (2) Detailed Notes On All Funds (Continued)

### E. Long-Term Debt (Continued)

#### Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2007, \$3,938,700 of bonds outstanding are considered defeased, \$1,082,900 pertaining to bonds that were accounted for in business-type activities, and \$2,855,800 relating to general obligations that were accounted for within the governmental activities group. In accordance with the applicable bond indentures, the trustees will continue to extinguish the defeased debt until 2011.

#### Changes in Long-Term Liabilities

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2007:

	Balance as of 6/30/06	Additions	Reductions	Net Amortization of Bond Discount/ Premium	Balance as of 6/30/07	Remaining Unamortized Bond (Discount) / Premium 6/30/07	Due within One Year
<b><u>Governmental Activities</u></b>							
General obligation bonds	\$ 41,399,071	\$ -	\$ (4,024,221)	\$ -	\$ 37,374,850		\$ 3,951,083
Loan payable-CELP	512,393	-	(81,207)	-	431,186	-	82,839
Accrued obligations for compensated absences	3,042,220	88,269	(13,423)	-	3,117,066	-	2,275,458
Governmental activity long-term liabilities	<u>\$ 44,953,684</u>	<u>\$ 88,269</u>	<u>\$ (4,118,851)</u>	<u>\$ -</u>	<u>\$ 40,923,102</u>	<u>\$ -</u>	<u>\$ 6,309,380</u>
<b><u>Business-type Activities</u></b>							
General obligation bonds							
Water facility fund	10,987,009	245,653	(930,763)	5,622	10,307,521	(9,211)	974,681
Sanitary sewer fund	14,871,854	-	(1,030,471)	16,069	13,857,452	(52,152)	1,028,595
Refuse fund	568,465	-	(184,338)	832	384,959	(1,531)	186,338
Parking fund	35,522,895	-	(620,000)	3,684	34,906,579	(103,042)	650,000
Stormwater management fund	1,260,072	47,865	(73,663)	-	1,234,274	-	72,663
RedGate golf course fund	382,461	-	(5,945)	76	376,592	(1,217)	5,945
Accrued obligations for compensated absences	557,818	52,842	(5,440)	-	\$ 605,220	-	441,810
Business-type activity long-term liabilities	<u>\$ 64,150,574</u>	<u>\$ 346,360</u>	<u>\$ (2,850,620)</u>	<u>\$ 26,283</u>	<u>\$ 61,672,597</u>	<u>\$ (167,153)</u>	<u>\$ 3,360,032</u>

The compensated absences in the governmental activities will be paid out of the general fund.

## City of Rockville, Maryland

### Notes to Basic Financial Statements June 30, 2007

#### F. Restricted Assets

The balances of the restricted asset accounts in the proprietary funds are as follows:

Reserved for debt payment – Stormwater Management	75,000
	<u>\$ 75,000</u>

#### G. Operating Leases

The City entered into a ten year office lease which began on June 1, 2004, and expires on May 31, 2014. Total annual rent is \$94,800, with an annual rent increase of 3% for each year, thereafter. The City also has a five year office lease which began on June 1, 2003 and expires on May 31, 2008. Total annual rent is \$90,227 with an annual rent increase of 3% each year thereafter.

Year	Rent Amount
2008	\$ 208,249
2009	109,899
2010	113,196
2011	116,592
2012	120,090
2013	123,692
2014	127,403
Total	<u>\$ 919,121</u>

## City of Rockville, Maryland

### Notes to Basic Financial Statements June 30, 2007

#### **(3) Other Information**

##### **A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters; and employee health benefits.

The City participates in the Montgomery County Liability and Property Coverage self-insurance fund, under which participants share coverage for worker's compensation, comprehensive general, automobile and professional liability, fire and theft, and the liability for errors, omissions and other selected areas that require coverage. The Montgomery County Division of Risk Management is the administrator of the fund. The City pays an annual premium to Montgomery County for its insurance coverage.

The City continues to carry commercial insurance for employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### **B. Contingent Liabilities**

###### Washington Suburban Sanitary Commission (WSSC)

The City has contracted with WSSC to purchase a portion of the capacity of the Blue Plains Waste Water Treatment Plant. Through June 30, 2007, the City had paid \$28,836,758 as its contractual share of the construction costs of the treatment facility and the related sewer transmission lines. The City's remaining contribution through the completion of the project is estimated to be \$13,657,295 for treatment capacity. The City intends to issue bonds to fund most of these costs.

The City has no direct ongoing equity interest in WSSC's assets and liabilities. Furthermore, the City has no significant influence over the management of the treatment facilities. Accordingly, the City does not record this contractual arrangement as a joint venture.

In addition to the capacity cost described above, WSSC charges the City a portion of its operating costs for treatment of sewage. The City accrues an amount for these charges each year based on its best estimate of usage. Adjustments to the accrued charges which result from subsequent billings by WSSC are recorded in the period during which the final bill is received by the City.

###### Litigation

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. The total amount of pending lawsuits and claims not covered by insurance nor expressly provided for in these statements is considered to be immaterial.

##### **C. Other Post-employment Benefits**

In addition to the pension benefits described in Note 3D, the City provides post-employment health benefits. The pension plan, under the direction of the Retirement Board, authorizes a retiree who elects to stay with the City's policy group to receive from the City the employer's share (i.e., the same level of premium support given to current employees) of medical insurance premiums up until age 65. In the event a retiree establishes residency outside the geographic area served by the City's group health insurance carriers, that person may purchase coverage and receive reimbursement from the City in an amount not to exceed the prevailing two-person coverage employer rate granted to current employees.

## City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

### (3) Other Information (Continued)

#### C. Other Post-employment Benefits (Continued)

The pension plan stipulates that eligible retirees from the administrative and union employee groups shall include those who (a) retire, having attained age 60 while employed with the City and who have completed at least 10 years of service prior to retirement, (b) take early retirement occasioned by poor health, having attained age 50 while employed with the City and having completed 10 years of service, or (c) take early retirement from the City when their age plus service equals or exceeds 85. Eligible police retirees are those who have met the conditions stated above or who have attained their normal retirement date on the first day of the month coinciding with or following the earlier of (a) the employee's 60th birthday or (b) the later of the employee's 51st birthday and completion of 25 years of credited service. Currently, the City finances the post employment health insurance benefits on a pay-as-you-go basis and expenditures for these insurance premiums are recorded in the General Fund. During fiscal year 2007, 14 retirees received post-employment health benefits. Expenditures of approximately \$60,723 were incurred by the City in furnishing these benefits.

#### D. Pension Plan

The City employees participate in one single-employer defined benefit pension plan and one defined contribution pension plan. The Retirement Board has the authority to establish and amend the benefit provisions of the pension plans including contribution requirements of the employees and employer.

The financial statements of the City's pension plans are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. City contributions to each plan are recognized when due and the City has a made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Principal Financial Group is the administrator of the single-employer defined benefit plan and defined contribution plan, which was established and is administered by the City of Rockville. The Public Employee Retirement System (PERS) is considered part of the City of Rockville reporting entity and is included in the City's financial reports as pension trust funds. The plans do not issue separate financial statements.

The PERS has a defined benefit option and a defined contribution option, which are reported as separate pension trust funds.

##### (1) Defined Benefit Option

This option is available to police employees, which participate 100 percent in the defined benefit option regardless of the date of employment and non-police employees who were members of the plan as of April 14, 1986. All benefits vest after 10 years of credited service. An employee who retires at age 60 or a police employee with the completion of 25 years of credited service regardless of age is entitled to an annual retirement benefit, payable monthly for life (120 payments are guaranteed), for union employees in an amount equal to 1.8 percent of his/her final average salary, for each year of credited service, for administrative personnel in an amount equal to 1.8 percent before April 1, 1996, and 2.0 percent on or after April 1, 1996, of his/her final average salary, for each year of credited service and for police personnel in an amount equal to the lesser of (a)(1) 2.0 percent of his/her final average earnings multiplied by his/her years of credited service prior to April 1, 2004, plus (2) 2.25 percent of his/her final average earnings multiplied by his/her years of credited service on or after April 1, 2004, or (b) 60 percent of his/her final average earnings. Final average salary for administrative personnel and union employees is computed as the average earnings over three consecutive years within the last 10 years of service which produces the highest average and for police employees the average annual earnings is computed as the average annual earnings during the final 60 months of employment with the City.

## City of Rockville, Maryland

### Notes to Basic Financial Statements June 30, 2007

#### (3) Other Information (Continued)

##### D. Pension Plan (Continued)

Covered police and pre-1986 non-police employees are required by statute to contribute a certain percent (4.2 percent for union, 5.2 percent for administrative and 8.5 percent for police) of their salaries to the plan. If an employee leaves covered employment or dies before 10 years of credited service (based upon a graduated vesting schedule of 50 percent after five years, up to 100 percent after 10 years of credited service), accumulated employee contributions plus credited interest thereon at the rate of 6 percent and a portion of the City's contribution (City contributions are deemed to be 150 percent of the employees contributions plus credited interest) are paid to the employee or designated beneficiary.

This option also is available to full-time, permanent, non-police employees hired on or after April 15, 1986. These employees also are covered by the defined contribution option described below. Employees are required to participate from the date of employment. Union employees are covered for an annual benefit equal to 1 percent of average salary and administrative personnel are covered for an annual benefit equal to 1.0 percent before April 1, 1996, and 1.2 percent on or after April 1, 1996, of average salary (as previously defined) for each year of credited service. Administrative personnel are required by statute to contribute 1 percent of their salaries to the plan starting April 1, 1996. Employees are vested 100% after 10 years of service.

##### (2) Defined Contribution Option

Full-time, permanent non-police employees hired on or after April 15, 1986, are required to participate in this option from the date of employment. The plan allows contributions up to a maximum of 5 percent of earnings. The employee contributions are matched \$.50 by the City for each \$1 contributed by the employee. The employee is fully vested in his/her employee contributions and investment earnings thereon. The City's contribution for each employee (City's contributions and investment earnings thereon) is partially vested after three years and fully vested after seven years of credited service. Employees attaining the age of 60 become fully vested regardless of the number of years of credited service. The contributions actually made in FY 07 for plan members were \$952,059 and the City contributed \$475,415.

Membership in the defined benefit plan consisted of the following at April 1, 2007, the date of the latest actuarial valuation.

Retirees and beneficiaries receiving payments	150
Terminated plan members entitled to but not yet receiving payments	161
Active plan members	513
Total	<u>824</u>

# City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

## (3) Other Information (Continued)

### D. Pension Plan (Continued)

#### Combining Statement of Changes in Fiduciary Net Assets Pension Trust Funds June 30, 2007

	Defined Contributions Option	Defined Benefit Option	Total Pension Trust Funds
<u>Additions</u>			
Contributions			
Employer	475,415	1,550,658	2,026,073
Plan members	952,059	732,111	1,684,170
Total contributions	<u>\$ 1,427,474</u>	<u>\$ 2,282,769</u>	<u>\$ 3,710,243</u>
Investment Income			
Net appreciation in the fair value of plan investments	1,415,172	9,662,737	11,077,909
Interest and dividends	33,990	-	33,990
Total investment income	<u>\$ 1,449,162</u>	<u>\$ 9,662,737</u>	<u>\$ 11,111,899</u>
Total additions	<u>\$ 2,876,636</u>	<u>\$ 11,945,506</u>	<u>\$ 14,822,142</u>
<u>Deductions</u>			
Benefits	\$ -	\$ 2,380,597	\$ 2,380,597
Refunds to terminated employees	295,380	-	295,380
Administrative expense	28,864	2,425	31,289
Total deductions	<u>\$ 324,244</u>	<u>\$ 2,383,022</u>	<u>\$ 2,707,266</u>
Net increase	2,552,392	9,562,484	12,114,876
Net assets - beginning	12,688,338	55,869,815	68,558,153
Net assets - ending	<u><u>\$ 15,240,730</u></u>	<u><u>\$ 65,432,299</u></u>	<u><u>\$ 80,673,029</u></u>

#### Combining Statement of Fiduciary Net Assets Pension Trust Funds June 30, 2007

	Defined Contributions Option	Defined Benefit Option	Total Pension Trust Funds
Assets			
Investments at fair value - equity in pooled pension trust	<u>\$ 15,240,730</u>	<u>\$ 65,432,299</u>	<u>\$ 80,673,029</u>
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets			
Available for plan benefits	<u><u>\$ 15,240,730</u></u>	<u><u>\$ 65,432,299</u></u>	<u><u>\$ 80,673,029</u></u>

## City of Rockville, Maryland

Notes to Basic Financial Statements  
June 30, 2007

### (3) Other Information (Continued)

#### D. Pension Plan (Continued)

##### Funding Policy and Annual Pension Cost - Defined Benefit Option

The employee contribution requirements for the plan are set by the Retirement Board. The City's annual contribution is based on annual actuarial valuations. The City of Rockville bears the cost of administering the pension plan.

Contribution rates	
City	6.24% -6.92%
Plan members	0.00% - 8.50%
Annual pension cost	\$1,599,777
Contributions made	\$1,599,777
Actuarial valuation date	4/1/2007
Actuarial cost method	Entry age normal
Amortization method	Closed
Amortization period	20 years
Asset valuation method	
Fixed income assets	Contract basis
United States Stock	Four years smoothed market
Actuarial assumptions	
Investment rate of return	7.75%
Projected salary increases	3.88% - 8.10%
includes inflation at	3.00%
Cost of living adjustment	1.50%

## City of Rockville, Maryland

### Notes to Basic Financial Statements June 30, 2007

#### (4) New Governmental Accounting Standards Board Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2007 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City:

- GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the City beginning with its year ending June 30, 2008. This statement establishes uniform financial reporting standards for other post-employment benefit plans (OPEB plans) and supersedes existing guidance.
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, will be implemented in phases using the same criteria applied in the implementation of the new governmental reporting model. As a result, this Statement will be effective for the City beginning with its year ending June 30, 2009. This Statement will require governments to recognize an expense under the accrual basis for annual required OPEB contributions, regardless of amounts paid. This cumulative difference between amounts expensed and paid will create a liability (asset) similar to net pension obligations.
- GASB Statement No. 50, *Pension Disclosures* will be effective for the City beginning after June 30, 2007. This statement is to amend note disclosure and required supplementary information (RSI) standards of Statements No. 25 and No. 27. This change is to conform with applicable changes adopted in Statements No. 43 and No. 45. This provides guidance improve the usefulness of reported information about pensions by state and local government plans and employers.
- GASB Statement No. 51, *Accounting for and Reporting Intangible Assets* is effective for the City beginning after June 30, 2009. This statement establishes accounting and financial reporting for intangible assets and results in a more faithful representation of the service capacity of intangible assets.

**APPENDIX B**

**Form of Legal Opinion**

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September 25, 2008

Mayor and Council of Rockville  
Rockville, Maryland

Ladies and Gentlemen:

We have examined certified copies of the legal proceedings and other proofs submitted relative to the issuance and sale by Mayor and Council of Rockville, Maryland (the "City") of \$13,150,000 General Obligation Bonds of 2008, dated September 25, 2008 (the "Bonds"). The Bonds bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein.

We have examined the law and such certified proceedings and other papers as we deem necessary to render the opinions set forth below.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the City and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

Based on the foregoing, it is our opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the City, all the real and tangible personal property subject to assessment for unlimited municipal taxation within the corporate limits of which is subject to the levy of an ad valorem tax, without limitation of rate or amount, to pay the Bonds and the interest thereon.

2. Under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon.

3. Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph (3), we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the City (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

Other than as set forth in the preceding paragraphs 2 and 3, we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Respectfully submitted,

## **APPENDIX C**

### **Terms of Offering**

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**TERMS OF OFFERING**  
**\$13,150,000**  
**General Obligation Bonds of 2008**  
**City Of Rockville, Maryland**

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

**TIME AND PLACE**

Sealed or electronic proposals for the Bonds will be received on Monday, September 8, 2008, until 11:00 A.M., Eastern Time, at the offices of Public Financial Management, 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Manager on the same day.

**SUBMISSION OF PROPOSALS**

The City will assume no liability for the inability of the bidder to reach the City prior to the time of sale specified above. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner by which the Proposal is submitted.

(a) **Sealed Bidding.** Proposals may be submitted in a sealed envelope to the offices of Public Financial Management, 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402.

**OR**

(b) **Electronic Bidding.** Electronic Bids may be submitted through PARITY.<sup>®</sup> For purposes of the electronic bidding process, the time as maintained by PARITY.<sup>®</sup> shall constitute the official time with respect to all Bids submitted to PARITY.<sup>®</sup>. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY.<sup>®</sup> for purposes of submitting its electronic Bid in a timely manner and in compliance with the requirements of the Terms of Offering.* Neither the City, its agents nor PARITY.<sup>®</sup> shall have any duty or obligation to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor PARITY.<sup>®</sup> shall be responsible for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by PARITY.<sup>®</sup>. The City is using the services of PARITY.<sup>®</sup> solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY.<sup>®</sup> is not an agent of the City.

If any provisions of this Official Terms of Offering conflict with information provided by PARITY.<sup>®</sup>, this Terms of Offering shall control. Further information about PARITY.<sup>®</sup>, including any fee charged, may be obtained from:

PARITY.<sup>®</sup>, 1359 Broadway, 2<sup>nd</sup> Floor, New York City, New York 10018, Customer Support,  
(212) 849-5021.

**DETAILS OF THE BONDS**

The Bonds will be dated September 25, 2008, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing June 1, 2009. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature June 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2009	\$ 825,000	2019	\$ 485,000
2010	835,000	2020	485,000
2011	835,000	2021	485,000
2012	835,000	2022	485,000
2013	835,000	2023	480,000
2014	835,000	2024	480,000
2015	830,000	2025	480,000
2016	835,000	2026	480,000
2017	835,000	2027	480,000
2018	835,000	2028	475,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the proposal must specify "Last Year of Serial Maturities" and "Years of Term Maturities" in the spaces provided on the Proposal Form.

#### **ADJUSTMENTS TO PRINCIPAL AMOUNTS AFTER DETERMINATION OF BEST PROPOSAL**

Following the receipt of the bids, the City reserves the right to adjust the principal amount by an amount no greater than \$500,000 for any maturity, and the maximum issue size will not exceed \$13,500,000. If the issue structure is adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e. the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the City (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Bonds) remains constant.

#### **TERM BOND OPTION**

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

#### **BOOK ENTRY SYSTEM**

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

#### **REGISTRAR**

The City will act as Registrar and Paying Agent and shall be subject to applicable SEC regulations.

## **OPTIONAL REDEMPTION**

The City may elect on June 1, 2018, and on any day thereafter, to prepay Bonds due on or after June 1, 2019. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If fewer than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

## **SECURITY AND PURPOSE**

The Bonds will be general obligations of the City for which the City will pledge its full faith, credit unlimited taxing powers. The proceeds will be used to finance various public improvements within the City.

## **TYPE OF PROPOSALS**

Proposals shall be for not less than \$13,150,000 (Par) nor more than \$13,807,500 (105% of Par) plus accrued interest on the total principal amount of the Bonds. Proposals shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of \$131,500, payable to the order of the City. If a check is used, it must accompany the proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Maryland and preapproved by the City. Such bond must be submitted to the City prior to the opening of the proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that purchaser is required to submit its Deposit to the City in the form of a certified or cashier's check or wire transfer as instructed by the City not later than 12:00 P.M., Eastern Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement. The City will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

Rates must be in integral multiples of 1/8 or 1/20 of 1%, in non-descending order, one rate per maturity. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

## **AWARD**

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and, (iii) reject any proposal which the City determines to have failed to comply with the terms herein.

As a condition to the award of the Bonds, the successful bidder shall be required to communicate to the City the initial offering prices at which a bona fide offering of Bonds has been made to the public and the prices at which a substantial portion of each maturity of the Bonds have been sold to the public (excluding bond houses, brokers and other intermediaries). Furthermore, as a condition to the delivery of the Bonds, the successful bidder shall be required to certify that a bona fide offering of the Bonds has been made to the public (excluding bond houses, brokers and other intermediaries) and such initial offering prices by written certificate, such certificate to be in form and substance reasonably satisfactory to the City's bond counsel.

### **BOND INSURANCE AT PURCHASER'S OPTION**

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

### **CUSIP NUMBERS**

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

### **SETTLEMENT**

The Bonds will be delivered on or about September 25, 2008, without cost to the purchaser through DTC in New York, New York. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Venable LLP of Baltimore, Maryland, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

### **PRELIMINARY OFFICIAL STATEMENT; CONTINUING DISCLOSURE**

The City has deemed the Preliminary Official Statement dated August 28, 2008 to be final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain information permitted to be omitted by said Rule. The City agrees to deliver to the successful bidder for its receipt no later than seven business days after the date of sale of the Bonds such quantities of the final official statement as the successful bidder shall request; provided, that the City shall deliver up to 50 copies of such official statement without charge to the successful bidder.

The City has made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. Such covenants are described in the Preliminary Official Statement dated August 28, 2008.

### **THE MAYOR AND COUNCIL OF ROCKVILLE**

By: /s/ Scott Ullery  
City Manager

## **APPENDIX D**

### **Form of the Continuing Disclosure Agreement**

*(This page has been left blank intentionally.)*

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of September 25, 2008 (the “Disclosure Certificate”), is executed and delivered by Mayor and Council of Rockville, Maryland (the “City”) in connection with the issuance of \$13,150,000 General Obligation Bonds of 2008 (the “Obligations”). The City hereby covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders from time to time of the Obligations and the beneficial owners from time to time of the Obligations and in order to assist the Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. *Definitions.* In addition to the definitions set forth above, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

“Disclosure Representative” shall mean the Director of Finance of the City or his designee, or such other person as the City shall designate from time to time.

“Dissemination Agent” shall mean the City or any Dissemination Agent designated in writing by the City.

“Listed Events” shall mean any of the events listed in Section 6(a) of this Disclosure Certificate.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission for purposes of the Rule. Currently, the following are National Repositories:

**Bloomberg Municipal Repository**

100 Business Park Drive  
Skillman, New Jersey 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962

**DPC Data Inc.**

One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107

**FT Interactive Data**

Attn: NRMSIR  
100 William Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390 (Secondary Market Information)  
(212) 771-7391 (Primary Market Information)

**Standard & Poor's Securities Evaluations, Inc.**

55 Water Street  
45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975

“Repository” shall mean each National Repository and each State Repository. The listing of repositories herein shall be automatically amended from time to time if the Securities and Exchange Commission ("SEC") designates additional or other entities as “Nationally Recognized Municipal Securities Information Repositories” (“NRMSIRs”) under the Rule, or if the SEC at any time revokes the designation of an entity as a NRMSIR under the Rule.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of Maryland as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

“Underwriters” shall mean and include the original underwriter(s) of any of the Obligations required to comply with the Rule in connection with the offering or sale of the Obligations.

**SECTION 3. *Scope of Agreement.***

(a) The disclosure obligations under this Disclosure Certificate relate solely to the Obligations. Such disclosure obligations are not applicable to any other securities issued or to be issued by the City.

(b) The City is the only "obligated person" with respect to the Obligations within the meaning of the Rule.

**SECTION 4. *Provision of Annual Reports.*** The City shall, not later than March 31 after the end of the Fiscal Year, commencing with the Fiscal Year ending June 30, 2008, provide to each Repository an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document

or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report.

SECTION 5. *Content of Annual Reports.* The City's Annual Report shall contain or incorporate by reference the following:

- Comprehensive audited financial statements for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles; and
- the following information provided in the Official Statement prepared and delivered by the City with respect to the Obligations: the Tables listed immediately below utilizing the same accounting standards as were used in preparing such information for the Official Statement and updated as of a date no earlier than the last day of the immediately preceding fiscal year.
  - Historical Summary of Bonded Indebtedness
  - General Obligation Debt Outstanding by Issue
  - General Obligation Debt Schedule of Annual Maturities
  - General Obligation Debt City Net Requirement Analysis
  - Overlapping Debt
  - General Fund Statement of Revenues and Expenditures and Changes in the General Fund
  - Assessed and Estimated Market Value of Taxable Property
  - Assessed Value of All Taxable Property by Class
  - Property Tax Levies and Collections
  - Property Tax Rates Overlapping Governments
  - Corporation Real Property Taxes
  - Corporation Personal Property Taxes

SECTION 6. *Reporting of Significant Events.*

(a) In a timely manner, the City will provide to each Repository and to the Municipal Securities Rulemaking Board, notice of the occurrence of any of the following events with respect to the Obligations, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers or their failure to perform;

- Adverse tax opinions or events affecting the tax-exempt status of the Obligations;
- Modifications to rights of holders of the Obligations;
- Obligation calls,
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Obligations;  
or
- Ratings changes.

The City hereby acknowledges that certain of the above-enumerated events do not, and are not ever expected to, apply to the Obligations. Nevertheless, the City intends to provide the Underwriters with complete assistance in complying with the Rule. Therefore, the City covenants to provide notice of all of the above-enumerated events should they occur.

(b) In a timely manner, the City will give to each Repository, or to the Municipal Securities Rulemaking Board and the State Repository (if any), notice of any failure to comply with the covenants set forth herein.

**SECTION 7. *Filing with Certain Dissemination Agents or Conduits.*** The City may satisfy its obligations under this Disclosure Agreement to file any notice, document or information with a Repository by filing the same with any dissemination agent or conduit, including any “central post office” or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such Repository, to the extent permitted by the Securities and Exchange Commission or its staff or required by the Securities and Exchange Commission. For this purpose, permission shall be deemed to have been granted by the Securities and Exchange Commission staff if and to the extent the agent or conduit has received an interpretive letter, which has not been revoked, from the Securities and Exchange Commission staff to the effect that using the agent or conduit to transmit information to the Repositories will be treated for purposes of the Rule as if such information were transmitted directly to the Repositories.

**SECTION 8. *Termination of Reporting Obligation.*** The City's obligations under this Disclosure Certificate shall terminate when there are no longer any Obligations outstanding.

**SECTION 9. *Dissemination Agent.*** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**SECTION 10. *Amendment; Waiver.*** Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this

Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) said amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted by the City;

(b) said provision, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the initial offering of the Obligations after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) said amendment or waiver does not materially impair the interests of holders of the Obligations, as determined either by nationally recognized bond counsel or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of the Obligations.

SECTION 11. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 12. *Default.* Failure to comply with this Disclosure Certificate shall not be deemed to be a default or an event of default with respect to the Obligations.

SECTION 13. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent (if any), the Underwriters, and the holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

MAYOR AND COUNCIL OF ROCKVILLE,  
MARYLAND

By: \_\_\_\_\_  
Gavin Cohen  
Director of Finance

## OFFICIAL BID FORM

(Electronic Proposals available via Parity; see Terms of Offering)

**Members of the City Council**  
**City of Rockville, Maryland**

**Sale Date: September 8, 2008**

For the principal amount of \$13,150,000\* General Obligation Bonds of 2008, of the City of Rockville, Maryland, legally issued and described in the Notice of Sale, we will pay the City \$\_\_\_\_\_ (not less than \$13,150,000 nor more than \$13,807,800) plus accrued interest on the total principal of \$13,150,000\*, provided the Bonds bear interest at the following rates:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2009	\$ 825,000	_____%	2019	\$ 485,000	_____%
2010	835,000	_____%	2020	485,000	_____%
2011	835,000	_____%	2021	485,000	_____%
2012	835,000	_____%	2022	485,000	_____%
2013	835,000	_____%	2023	480,000	_____%
2014	835,000	_____%	2024	480,000	_____%
2015	830,000	_____%	2025	480,000	_____%
2016	835,000	_____%	2026	480,000	_____%
2017	835,000	_____%	2027	480,000	_____%
2018	835,000	_____%	2028	475,000	_____%

We hereby designate that the following bonds be aggregated into terms bonds maturing on June 1 of the following years and in the following amounts (leave blank if no term bonds are specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Interest Rate</u>
_____ through _____	_____	_____	_____
_____ through _____	_____	_____	_____
_____ through _____	_____	_____	_____
_____ through _____	_____	_____	_____

The Bonds mature on June 1 of each year, and interest is payable each June 1 and December 1 commencing June 1, 2009. In making this offer, we accept the terms and conditions as defined in the Terms of Offering published in the Official Statement dated August 28, 2008. All blank spaces of this offer are intentional and are not to be construed as an omission.

NOT PART OF THIS BID:

Respectfully submitted,

Explanatory Note: According to our computation, this bid involves the following:

\$ \_\_\_\_\_  
Net Interest Cost  
\_\_\_\_\_%  
True Interest Rate

\_\_\_\_\_  
Account Manager

By \_\_\_\_\_

(A list of the firms associated with us in this bid is on the reverse side of this proposal.)

\*\*\*\*\*

The foregoing offer is hereby accepted by and on behalf of the City of Rockville, this 8<sup>th</sup> day of September, 2008.

\_\_\_\_\_  
Director of Finance

\* Subsequent to the bid opening the par amount of the Bonds was changed to \$\_\_\_\_\_, and the bid price to \$\_\_\_\_\_, resulting in a net interest cost of \$\_\_\_\_\_ and true interest rate of \_\_\_\_\_%.